October 2018 SACS Forum Minutes, Attachment A

California Department of Education, School Fiscal Services Division

# **SACS Forum Minutes – October 9, 2018 PowerPoint Outline (Attachment A)**

## Slide 3: 2017-18 Unaudited Actual Data Submission – CDE Review

We will soon begin our process of reviewing the 2017-18 Unaudited Actuals (UA) data submissions.

A focus of the review is the indirect cost calculation to ensure the rates calculated are in accordance with the CDE’s delegation agreement with the U.S. Department of Education.

Our office may contact local education agency (LEA) staff with questions regarding the indirect cost rate calculation or any other financial reporting questions.

## Slide 4: 2019 California School Accounting Manual (CSAM) Update

CDE staff is currently working on an update for the CSAM.

The updated CSAM is scheduled to be completed by the beginning of 2019.

The updated manual will meet the federal Section 508 accessibility regulations, and will have a different look from previous editions.

## Slide 6: Every Student Succeeds Act (ESSA) Per-pupil Expenditures (PPE) Reporting Requirement Update (1)

The CDE issued a letter on August 1, 2018 to provide information and guidance that would assist LEAs with meeting the ESSA PPE reporting requirement. This letter can be found in our Correspondence web page: [https://www.cde.ca.gov/fg/ac/co/essappeltr.asp](https://www.cde.ca.gov/fg/ac/co/essappeltr.asp%20).

The guidance provided works within the current SACS and current CDE financial data collection process.

* CDE will not be collecting school-level SACS financial data.

LEAs will need to begin reporting their PPE on the 2018-19 LEA report card.

## Slide 7: Every Student Succeeds Act (ESSA) Per-pupil Expenditures (PPE) Reporting Requirement Update (2)

Calculating Per-pupil Amounts – Included and excluded expenditures

Included expenditures should represent the ongoing, day-to-day operations of schools and LEAs for public elementary and secondary education.

* These include, but are not limited to, instruction, instructional support, student support services, pupil transportation services, plant maintenance and operations, and general administration.

Excluded expenditures that are not associated with prekindergarten through grade twelve students, such as adult education; or are one-time, significant outlays that may distort the data, such as facilities acquisition.

* The letter provides recommended categories that may be excluded from total expenditures used in the PPE calculation.

## Slide 8: Every Student Succeeds Act (ESSA) Per-pupil Expenditures (PPE) Reporting Requirement Update (3)

Calculating Per-pupil Amounts – School-level versus LEA-level

For school-level PPE reporting, the per-pupil expenditure calculation will include expenditures charged directly to a school plus the school’s share of expenditures that are charged centrally at the LEA level but benefit the schools.

LEAs are afforded the flexibility to determine which expenditures are charged directly to the school-level versus those expenditures that remain at the central level and are ultimately allocated to individual schools based on a reasonable consistent allocation methodology.

LEAs should ensure that, to the extent possible, school-level expenditures reflect cost that were actually incurred at the school site.

## Slide 9: Every Student Succeeds Act (ESSA) Per-pupil Expenditures (PPE) Reporting Requirement Update (4)

Calculating Per-Pupil Amounts – Student counts and formulas

LEAs have the option to use either enrollment or average daily attendance (ADA) in the PPE calculation. The CDE recommends that LEAs use enrollment, which is consistent with the student count that is used in the federal current expenditures per pupil calculation.

*LEA-level PPE*

Total expenditures divided by the LEA’s student count

*School-level PPE (for each of the LEA’s schools)*

School-level expenditures, plus the school’s share of the LEA’s central expenditures, divided by the school’s student count

## Slide 10: Every Student Succeeds Act (ESSA) Per-pupil Expenditures (PPE) Reporting Requirement Update (5)

CDE will ultimately collect the PPE data from LEAs for inclusion in the State Report Card.

Additional information about the criteria, collection, and presentation is forthcoming.

At this point, the CDE recommends that LEAs:

* Use prior year financial data, e.g., 2017–18, to prepare test PPE data in order to make preliminary assessments of the outcomes and whether those outcomes meet expectations.
* Test and evaluate approaches to allocate central expenditures to the schools, analyzing how various approaches affect school-level per-pupil expenditure amounts.
* Anticipate questions that may be asked by the governing board, parents, and other stakeholders, and be prepared to answer them.

## Slide 11: Every Student Succeeds Act (ESSA) Per-pupil Expenditures (PPE) Reporting Requirement Update (6)

Frequently asked question:

Will the ESSA PPE information be reported in School Accountability Report Card (SARC)?

* The ESSA report card requirements are separate from the School Accountability Report Card (SARC).
* The SARC is a state required report card, which was passed with Proposition 98, and is not related to the ESSA reporting requirements, including the ESSA PPE requirement.

## Slide 12: Regional Occupational Center/Program Goal 6000 Discussion (1)

We are currently looking into the closure of Regional Occupational Center/Program (ROCP) Goal 6000. Prior to the Local Control Funding Formula (LCFF), LEAs were provided state funding to support its Career Technical Programs (CTE). However, most of that funding was transitioned into the LCFF as a grade-span adjustment.

Currently, the CTE Incentive Grant is being offered by the state, and the use of Goal 3800 (Career Technical Education) and 6000 are used to record CTE activity. However, since both goals are similar, the CDE would like to gather information from LEAs regarding their use of Goal 6000, and if we should close the goal and utilize Goal 3800.

## Slide 13: Regional Occupational Center/Program Goal 6000 Discussion (2)

**Education Code 52303**.

Defines “Regional occupational program,” as a sequence of career technical or technical training programs that meet the criteria and standards of instructional programs in regional occupational centers and are conducted in a variety of physical facilities that are not necessarily situated in one single plant or site.

* ***Education Code* 52300.**

The intent of the Legislature is to provide qualified students with the opportunity to attend a technical school or enroll in a career technical or technical training program. Also, to prepare students for an increasingly technological society in which generalized training and skills are insufficient to prepare high school students and graduates, and out-of-school youth and adults for the many employment opportunities which require special or technical training and skills.

## Slide 14: Regional Occupational Center/Program Goal 6000 Discussion (3)

The *CSAM* has the following goals:

**3800** **Career Technical Education.** Refers to skill areas, such as distributive education, health, home economics, industrial arts, technology, and trades, designed to prepare students for gainful employment. The Career Technical Education goal is used to track the costs of career technical education students and *is not used for adult education, ROCP, or special education costs.*

**4630** **Adult Career Technical Education.** Refers to skill areas, such as distributive education, health, home economics, industrial arts, technology, and trades, designed to prepare adult students for gainful employment.

**6000 Regional Occupational Center/Program (ROCP).** Refers to skill areas, such as agriculture, distributive education, health, home economics, industrial arts, technology, and trades designed to prepare students for gainful employment.

## Slide 15: Regional Occupational Center/Program Goal 6000 Discussion (4)

A review of FY 16/17 Unaudited Actual Data:

* 234 LEA’s used Goal 6000
* 419 LEA’s used Goal 3800
* 75 LEA’s used Goal 4630
* Of the LEAs that used 6000, 78% of also used Goal 3800
* California School Directory currently shows about 70 active ROC/ROP LEAs

## Slide 16: 2018-19 SACS Resource Codes Update (1)

Project School Emergency Response to Violence (SERV)

* **New Resource 5653**
* $2 million authorized for one-time federal Project School Emergency Response to Violence funds to reimburse LEAs for eligible expenses to quickly reopen schools after the 2017 wildfires in Northern California.

Immediate Aid to Restart Operations (Restart) Resource

* **New Resource 5654**
* $13.9 million authorization for one-time federal funds for the Immediate Aid to Restart School Operations grant to assist with eligible expenses to reopen schools after the 2017 wildfires in Northern and Southern California.

## Slide 17: 2018-19 SACS Resource Codes Update (2)

Inclusive Early Education Expansion Grant

* **New Resource 6128**
* $167 million one-time Prop 98 funding to increase the access of inclusive early care and education programs for children 0-5, especially in low-income areas and high-need communities.

Strong Workforce Program

* **New Resource 6388**
* $150 million of ongoing funding for all LEAs for the purpose of expanding the availability of high-quality, industry-aligned career technical education (CTE). The funding will be allocated through the Community College Chancellor’s Office (CCCCO).
* Requires a match of 1 for 1 for ROCPs operated by a JPA, and a match of 2 for 1 for all other LEA’s.
* Additional information can be found the on the CCCCO web page at https://doingwhatmatters.cccco.edu/StrongWorkforce.aspx

## Slide 18: 2018-19 SACS Resource Codes Update (3)

SELPA System Improvement Grant

* **New Resource 6545**
* $10,000,000 Prop 98 funds to establish a structure for the selection and support of between six and 10 SELPAs to serve as special education resource leads to work with county offices of education to improve outcomes for students with disabilities.

Geographic Lead Agency Program

* **New Resource 7505**
* $4 million grant which establishes part of the statewide system of support. The California Geographic Lead Agency System creates a structure for the selection and support of between six and 10 county offices of education as geographic lead agencies in their region.

## Slide 19: 2018-19 SACS Resource Codes Update (4)

Low Performing Students Block Grant

* **New Resource 7510**
* $300 million one-time Prop 98 funds for the Low- Performing Students Block Grant. The funds will be allocated on an equal amount per pupil during the 2018–19 fiscal year to LEAs.
* Waiting on further details

Full-Day Kindergarten Facilities Grant Program

* **Resource 7710**
* One-time funding of $100 million for school districts that lack the facilities to provide full-day kindergarten. The grants will be administered by the Office of Public School Construction (OPSC), and is part of the School Facilities Aid Program. Requires a local match unless the district meet financial hardships requirements.
* Additional information can be found on the OPSC web page at https://www.dgs.ca.gov/opsc/Programs/Full-DayKindergarten.aspx

## Slide 20: 2018-19 SACS Resource Codes Update (5)

Other:

ESSA Title IV, Part A, Student Support and Academic Enrichment Grant Program

* **Resource 4127-** Formula funding for 2018-19. Expected in early November.
* 2017-18 funding is anticipated to be allocated in a competitive basis under Resource **4128**. No information at this time on the timing of the receipt of this funding.

## Slide 21: Object 8681, Mitigation/Developer Fees (1)

BACKGROUND

* Any developer fees collected as a condition to approving a development must be deposited in Fund 25, Capital Facilities Fund. Expenditures in Fund 25 are restricted to the purposes specified in *Government Code* sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* section 66006).
* Developer fees deposited in Fund 25 meets the definition of restricted fund balance.

REMINDER

* GASB 54 requires fund balances be reported in applicable classification regardless of the fund in which they are reported.
* Since the mitigation/developer fees are restricted in regards to what they can be spent on, LEAs should use Resource 9010, Other Restricted Local, or a locally-defined resource that rolls up to Resource 9010.

## Slide 22: Object 8681, Mitigation/Developer Fees (2)

PROPOSAL

* Close Resource 0000 x Object 8681 – effective 2019/20 fiscal year.

Review of Unaudited Actuals Data Reporting Object 8681 – many LEAs reported in Resource 0000.

| Fiscal Year | Resource 9010 | Resource 0000 | Total LEAs |
| --- | --- | --- | --- |
| 2016/17 | 220 | 591 | 811 |
| 2015/16 | 209 | 595 | 804 |
| 2014/15 | 210 | 582 | 792 |

Are there reasons why developer’s fees in Fund 25 are recorded in Resource 0000, and not 9010?

Please email feedback to [sacsinfo@cde.ca.gov](file:///C:\Users\jpadilla\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\Content.Outlook\3BLRPLVW\sacsinfo@cde.ca.gov)

## Slide 23: Special Education: Goals 5750 and 5770 (1)

*Education Code* Section 56205(b)(1) stated that the annual SELPA budget plan shall identify:

* Special education services to pupils with severe disabilities and low incidence disabilities (Goal 5750)
* Special education services to pupils with nonsevere disabilities

UPDATE

AB 1808 amended *EC* Section 56205(b)(1) and does not include expenditures for special education services to pupils with “severe disabilities” or with “nonsevere disabilities”

* Amended language now reads:
* A description of projected total education expenditures by local educational agency, including supplemental aids and services to meet the individual needs of pupils placed in regular education classrooms and environments and special education services to pupils with low incidence disabilities

## Slide 24: Special Education: Goals 5750 and 5770 (2)

Due to the amendment to *Education Code* Section 56205(b)(1), the CDE is evaluating the use of goals 5750 and 5770 and seeking input from LEAs.

Eliminate 5750 and 5770?

* If eliminated, LEAs may use locally defined goals for severe and non-severe

Establish a new 5xxx Goal Code for Special Education, Ages 5-22?

* This is the preference of the Special Education MOE Workgroup
* Changes the mindset of no longer viewing the goal code as severe or nonsevere. A new goal code will help change the mindset.

Consolidate goals 5750 and 5770 into one goal code?

* May cause confusion if we consolidate into one of the existing goal codes

Any other suggestions?

Please email your feedback to [sacsinfo@cde.ca.gov](file:///C:\Users\jpadilla\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\Content.Outlook\3BLRPLVW\sacsinfo@cde.ca.gov)

## Slide 25: GASB 84 – Fiduciary Activities

Establishes criteria for determining whether activities should be reported as fiduciary.

Effective 2019-20.

If there is a fiduciary responsibility, then fiduciary fund financial statements are required.

Types of fiduciary activities

* Fiduciary component units, including pension and OPEB arrangements
* Pension and OPEB arrangements that are not component units
* Other fiduciary activities

## Slide 26: Fiduciary Component Units

Component unit is fiduciary if it:

* meets component unit (CU) criteria of GASB 14, as amended, AND
* is one of the following arrangements -
  + Pension plan administered through a trust (GASB 67, paragraph 3)
  + Assets accumulated for pensions not in a trust from entities not part of the reporting entity (GASB 73, paragraph 116)
  + OPEB plan administered through a trust (GASB 74, paragraph 3)
  + Assets accumulated for OPEB not in a trust from entities not part of the reporting entity (GASB 74, paragraph 59)
  + Other arrangements (if not a pension or OPEB arrangement) – GASB 84, paragraph 8

Control of assets is **not** a factor for determining if a CU is a fiduciary CU.

## Slide 27: Evaluating Potential Component Units

Evaluation criteria:

Separate legal entities; AND

Financially accountable if one or both of the following is true:

* Voting majority of board and
  + Imposition of will, OR
  + Provide potential financial benefit to the primary government (PG) or impose potential financial burden to the PG.
* Fiscally dependent on the PG
  + Fiscal dependence – e.g., requires PG approval for budget, to levy taxes or fees, or to issue debt.
  + Fiscal dependency does not necessarily imply that a financial benefit or burden relationship exists.

Misleading to exclude

## Slide 28: Pension and OPEB Arrangements that are NOT Component Units

For pension and OPEB arrangement that are not CUs, control of assets is a factor for determining if fiduciary.

* If the government does not control the assets, the activity is not reported in a fiduciary fund.
* If the government controls the assets, the activity is reported in a fiduciary fund.

## Slide 29: Control of Assets

A government controls the assets if it:

* Holds the assets; OR
* Has the ability to direct the use, exchange, or employment of the assets for benefit of specified or intended recipients.
  + Legal restrictions do not negate a government’s control over those assets.
  + Ordinarily, the assets of most defined contribution plans (e.g., 401K and 457) are not controlled by the sponsor.

The following are not considered control of assets:

* The government provides high-level investment guidance.
* The government selects the types of investments offered to its employees.

## Slide 30: Other Fiduciary Activities

Fiduciary if all three criteria met:

1. Assets controlled by the government.
2. Assets not derived from certain revenues –

* Own-source revenue (e.g., property taxes, investment earnings, user charges); OR
* Nonexchange transactions (either government-mandated or voluntary)

1. Assets have one or more characteristics –

* Administered through a trust or equivalent arrangement.
* For the benefit of individuals.
* For the benefit of other organizations.

## Slide 31: Types of Fiduciary Funds

Four types of fiduciary funds (refer to *CSAM* Procedure 105):

* Pension and other employee benefit trust funds (*SACS Fund 71*)
* Investment trust funds (not used by California LEAs)
* Private-purpose trust funds (*SACS Fund 73*)
* Custodial funds (replace agency funds) (*SACS Funds 76 and 95*)

## Slide 32: Financial Reporting Changes

Agency funds are renamed Custodial funds

Custodial funds require a statement of fiduciary net position

* Agency funds – required the presentation of assets and liabilities only.
* Custodial funds – require assets, deferred outflows, liabilities, deferred inflows, and fiduciary net position.

Custodial funds require a statement of changes in fiduciary net position

* Agency funds – did not require revenues and expenses
* Custodial funds – require revenues and expenses

## Slide 33: SACS Software Changes

GASB 84 affects the former agency, now custodial, funds

* Fund 76, Warrant Pass-Through Fund
* Fund 95, Student Body Fund

GASB 84 is effective 2019-20, so changes will first appear in the SACS2019 software budget release, 2019-20 budget period

Fund forms will be modified to include additional accounts, e.g., revenues, expenditures, deferred inflows, deferred outflows

Combinations of valid code combinations will be updated to reflect additional accounts added to Fund 76 and 95

* More information on account changes forthcoming

## Slide 34: Considerations for Implementation (1)

**Reevaluate activities based on GASB 84 criteria**

1. Pension and OPEB activities

* Generally, pension and OPEB plans that are administered through trusts that meet the criteria of GASB 67 and GASB 74, respectively, are separate legal entities.
* If legally separate entities, then determine if CUs (criteria in a prior slide)
* If CUs, then fiduciary, and may be reported in Fund 71, Retiree Benefit Fund.
* If not CUs, determine if the primary government controls the assets.
* **If yes, then fiduciary and may be reported in Fund 71.**
* **If not, then is not fiduciary and not reported in Fund 71.**

## Slide 35: Considerations for Implementation (2)

1. Pass-through grants

* GASB 84 allows government to use a fiduciary fund for pass-through grants where the government does not have administrative or direct financial involvement with the grant (i.e., cash conduit).
* CSAM Procedure 750, Pass-Through Grants and Cooperative Projects, provides definitions and guidance for the cash conduit and other models of funding passed through to other LEAs.

1. Other activities

* Scholarships, student activity funds, college savings plans, deferred compensation plans, etc.

## Slide 36: Fiduciary Activities Implementation Guidance

GASB will issue an implementation guide

* Draft guide expected by year-end 2018
* Final guide expected by spring 2019

But….

* Do not wait until implementation guide is issued to begin evaluating fiduciary activities!

## Slide 38: SACS2019 Software Updates

**Form 76**—Warrant/Pass-Through Fund and  
**Form 95**—Student Body Fund

* Expand fund forms effective 2019-20, due to the implementation of GASB 84. This includes opening the forms to interim periods.

**Form 01CS**—Criteria and Standards Review—Budget period

Modify due to the full implementation of LCFF effective 2019-20:

* LCFF Revenue, Criterion 4, District only  
  Remove Section 4A1/Step 2/Line c, “Gap Funding (if district is not at target)”
* Facilities Maintenance Criterion *5/*7  
  Modify the minimum contribution requirement of the Ongoing and Major Maintenance/Restricted Maintenance Account to three percent of the total *unrestricted (COEs only)* general fund expenditures and other financing uses for all school facility programs.

## Slide 39: SACS System Replacement

Entered into the system development phase!

Replacement system will be web based

LEA input

Spring 2021 – anticipated release

## Slide 40: Before we go…

Minutes are available from the May 2018 SACS Forum Meeting, and can be found on the Recap of SACS Forum Meetings web page at [https://www.cde.ca.gov/fg/ac/ac/sacsforumrecap.asp](https://www.cde.ca.gov/fg/ac/ac/sacsforumrecap.asp%20)

## Slide 41: Next meeting scheduled for February 11, 2019