
November 16, 2023

To: District and Charter Business Services
From: Sarah Lampenfeld, Director, External Fiscal Services
Subject: November 2023 Edition

SACS Web Application: 2023-24 First Interim Released

As you know, on October 25th the 2023-24 First Interim financial reporting functionality was released. The SACS release included known issues and workarounds which are:

The 2023–24 Interim period forms do not extract data from 2022–23 unaudited actual submissions. 2022–23 unaudited actual amounts will need to be manually entered into the following 2023–24 interim period forms:

- ✚ Criteria and Standards (Form 01CSI)
- ✚ Every Student Succeeds Act Maintenance of Effort (Form ESMOE)
- ✚ Special Education Maintenance of Effort (Report SEMAI)

This and other SACS Web System known issues and available workarounds are posted in the Problems and Fixes section of News and Announcements, which is available on the user's dashboard when logging into the SACS system.

Please remember that 2023-24 First Interim Reports are due to SCOE on or before December 15th.

State Board Approves Revised LCAP Template

On November 8th, the State Board approved the new LCAP template that will be used for the 2024-25 LCAPs. The new template includes the revisions approved with SB 114. Please remember that SCOE is hosting an LCAP series that is important and will assist with the development of the 2024-25 LCAP.

- ✚ Session 2: January 31st ([register here](#)) focus on the New LCAP template, Metrics, Dashboard
- ✚ Session 3: Two offerings – March 21st or April 4th ([register here](#)) focus on fiscal tables/components

ESSA Per-Pupil Expenditure Reporting

The Elementary and Secondary Education Act of 1965 (ESEA), as reauthorized by the Every Student Succeeds Act (ESSA), requires state educational agencies and their local educational agencies (LEAs) to prepare and publish annual report cards that contain specified data elements, including LEA and school-level per-pupil expenditures (PPE).

For this requirement, the California Department of Education (CDE) developed the ESSA Per-Pupil Expenditure Application. This web-based application will allow LEAs and direct-funded charter schools the ability to submit their required PPE information.

The reporting window is expected to open at the end of November. Emails containing the LEA's unique access codes will be sent to Superintendents, Charter School Administrators, and CBOs this month. The deadline for each LEA to submit their PPE information to the CDE will be announced once the window opens. Note; last year's deadline was March 1st.

LEAs will be required to use fall enrollment data for ESSA PPE Reporting. NOT ADA!

Application website: <https://www3.cde.ca.gov/essars>

The resources listed below provide additional information and tools related to the ESSA per-pupil expenditure reporting requirement:

- CDE's August 1, 2018 letter, "The Every Student Succeeds Act Per-Pupil Expenditure Reporting Requirement" <https://www.cde.ca.gov/fg/ac/co/essappeltr.asp>
- U.S. Department of Education's Non-Regulatory Guidance <https://www2.ed.gov/policy/elsec/leg/essa/report-card-guidance-final.pdf>
- CDE's Local Educational Agency Accountability Report Card <https://www.cde.ca.gov/ta/ac/le/>

If you have any questions, please contact the Office of Financial Accountability and Information Services by email at essappe@cde.ca.gov.

School Level Finance Survey (SLFC)

Reminder: new reporting for the School Level Finance Survey (SLFS) will start in fiscal year 2024-25 for the following areas: instruction, student support services, instructional staff support, and school administration. Additionally, three exhibit areas will be required for reporting within instructional functions. The plan by the CDE for the new reporting is: 1) Use 2022-23 information provided in the ESSA PPE Reporting, 2) 2023-24 – modified and new elements to the ESSA PPE Reporting, 3) and 2024-25 and beyond - added elements that will be reported through The National Center for Education Statistics (NCES) within the US Department of Education (ED).

Universal PreKindergarten Planning and Implementation Grant (UPK P&I) Report #3 Due November 30th

All LEAs receiving UPK P&I Grant funds are required to semi-annually report expenditures until the end to grant program, i.e. 2026. The current reporting window (Report #3) opened on October 23rd and is **due by November 30th**. This reporting window covers expenditures from May 1, 2023 to October 31, 2023.

SACS Forum

On November 7th, the CDE hosted the SACS Forum. **Attached** is the presentation for the webinar.

REMINDERS:

Requisition account code restrictions for object 9110

LEAs should never use object code 9110 on a requisition or payment. Proper accounting practices dictate that all entries are two-sided. The code on the requisition or payment should be the proper expenditure code for the expense, and cash (object 9110) will hit automatically. Did you know that you can restrict your requisitions or payments to specific object code ranges, and exclude specific ranges to prevent errors? Depending on your LEA's system setup in ESCAPE, you may be able to change these settings at the fiscal level. If you need assistance, you can send a help desk ticket to helpdesk@scoe.org.

Audit extension requests

If an extension is necessary for the 2022-23 annual audit, a written request for the audit report filing extension is required and **due to SCOE before November 30th**.

Districts: Please include the reason for the extension request and the expected date of audit submission on District letterhead and send via email or AV mail. Subsequently, SCOE will submit the extension request to the State Controller's Office (SCO) by December 15, 2023. The SCO and CDE will review the request *and accompanying justification* and provide notification as to whether the extension will be granted. SCOE will notify you when approved. The guidelines state that extensions will be granted only under extraordinary circumstances.

Independent Charters: There is no provision in the law for an extension of a charter school audit (E.C. 47605(m)). For extraordinary circumstances, please notify your Sponsoring District and SCOE of a potential delay. Please include the reason for the extension request and the expected date of audit submission on Charter letterhead and send it to the Sponsoring District and SCOE via email or AV mail.

Please see SCOE Biz Bulletin 24-08 for full details for the 2022-23 Audit submission process.

Developer Fee Reporting Reminder: Annual Accounting for School Developer Fees ~ Fund 25, Object 8681

Developer fees are required to be deposited in a separate capital facilities account/fund so that their collection and use are accounted for separately, away from the rest of the district's activities. Interest earned must be credited to the same fund and must be used for the same purpose as the fees. Government Code section 66006 requires that within 180 days of the end of the fiscal year, each district that levies developer fees should make the accounting available to the public (**by December 28, 2023**). **The governing board must review the information at its next regularly scheduled meeting held *no earlier* than 15 days after the information becomes available to the public.**

Additionally, Government Code section 66001 requires each district that collects developer fees to **make further findings every five years** about any fund in which those fees remained unexpended at the end of the fiscal year. It is recommended that the five-year accounting be made in conjunction with the annual accounting for each fund or account. Failing to comply with the statute, may result in a refund of the fees in question.

For more detailed information, please see School & College Legal Services of California's Legal Update *Annual Development Fee Accounting: 2023 update* once available.

It's important to note that a school district should also consider updating its study when circumstances change, such as when student enrollment decreases or classroom capacity increases.

P-1 Principal Apportionment Data Collection (PADC) Due to SCOE January 8, 2024




The CDE expects to release the 2023-24 First Principal Apportionment data entry screens in early December. Shortly after the release, SCOE will release our P-1 instructions. Please reminder P-1 data is due to SCOE January 8, 2024.

New at P-1 is the Prop 28: Arts and Music in Schools (AMS) optional certification. As a condition for receipt of Prop 28 funds, LEAs must annually certify to meeting certain requirements. Education Code does not specify the method for completing this certification. However, the CDE has created a certification option in the PADC web application which will fulfill the annual requirement.

Fiscal Reports by School Services of California

School Services does an excellent job of providing explanations to current topics. If you are a member of School Services of California you can also see these reports by logging in to view their web page or subscribe to their email services.

Attached for your convenience are:

-  Sunset Date Eliminated for Virtual Meetings During Emergencies
-  2023-24 First Interim Report Considerations
-  October Inflation Down

Dates to Remember:

11/17/2023 Escape Open Lab 1:00 p.m. – 4:00 p.m. [RVSP here](#)
11/26/2023 Scheduled Maintenance Day 7:00 a.m. - 12:00 p.m.
11/29/2023 Calpads Open Lab 10:00 a.m. – 12:00 p.m. (hybrid: in-person or [Zoom](#))
12/01/2023 Escape - 2023 1099 Reporting [Click here to register](#)
12/05/2023 Audit Review training 9:00 – 10:30 a.m. (in-person only) **RSVP w/Advisor**
12/07/2023 Escape W2 Reporting [Click here to register](#)
12/10/2023 Scheduled Maintenance Day 7:00 a.m. -12:00 p.m.
12/15/2023 1st Interim Report due to SCOE
12/15/2023 Escape ACA Reporting [Click here to register](#)
12/16/2023 Fall 1 Certification Deadline
01/08/2024 P-1 Principal Apportionment Data Collection (attendance) due to SCOE
NO DBUG in December

Mini-Training Sessions/Working Sessions

Audit Review UPDATED DATE: December 5th, 9:00 – 10:30 a.m. (in-person only)

The Basic (Difference between Budget and Actuals) plus General Ledger Mid-Year Cleanup:

January 25, 2024, 9:00 – 11:00 a.m. (working session)

CARS and Unearned Revenue Understanding: February 1, 2024, 9:00 – 11:00 a.m. (working session)

LCAP Training UPDATED DATE and TIME: (annual update, what's new, and staying on track):

March 21st and April 4th, 9:30 – 11:30 a.m.

NOTE:

- Want to add something to a DBUG Agenda? Want a topic added to SCOE Biz? Contact DBUG Chair, Christina Menicucci
- Documents presented at DBUG found posted at <http://www.scoe.org/pub/htdocs/fiscal-dbug.html>
- Workshop manuals and Fiscal Services/IT forms may be found at <http://www.scoe.org/escape> under the heading of Resources on the left side of the page.



SACS Forum

November 7, 2023

CALIFORNIA DEPARTMENT OF EDUCATION
Tony Thurmond, State Superintendent of Public Instruction

General Housekeeping

- Please be sure that your microphone is muted.
- If you have a question, please use the Q/A function located at the bottom of the screen.
- You may also send questions to sacsinfo@cde.ca.gov
- CDE's Recap of SACS Forum Meetings web page:
<https://www.cde.ca.gov/fg/ac/ac/sacsforumrecap.asp>



Announcements & Information

CALIFORNIA DEPARTMENT OF EDUCATION
Tony Thurmond, State Superintendent of Public Instruction

2022–23 Unaudited Actuals (UA) Submissions CDE Review

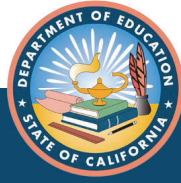
- We will soon begin our process of reviewing the 2022–23 Unaudited Actuals (UA) data submissions.
- A focus of the review is the indirect cost calculation to ensure the rates calculated are in accordance with the CDE's delegation agreement with the U.S. Department of Education.
- Our office may contact local education agency (LEA) staff with questions regarding the indirect cost rate calculation or any other financial reporting questions.

Email Contact Information

- sacsinfo@cde.ca.gov Questions pertaining to accounting and financial reporting, including using the standardized account code structure (SACS) (e.g., resource coding, valid codes and combinations for specific programs, SACS Query), indirect cost rate (ICR) usage, any other area besides the SACS Web System and submitting unaudited actuals data to the CDE (see below).
- sacsweb@cde.ca.gov Questions pertaining to the SACS Web System, including system access, system technical issues, system workflow issue, issue promoting and submitting datasets.
- unauditedactuals@cde.ca.gov Questions pertaining to submitting the unaudited actual year-end financial data, including submission due dates and promoting or resubmitting or certifying unaudited actual data to the CDE.

Staff Updates

Introducing new Fiscal Oversight and Support Office Consultant



Accounting Updates

CALIFORNIA DEPARTMENT OF EDUCATION
Tony Thurmond, State Superintendent of Public Instruction

Special Education Goals to Child Development (Fund 12) Update

- Update – Should Special Education 5XXX goal codes be open to Fund 12?
 - No further feedback received from LEAs
- Decision – At this time, CDE will NOT open 5XXX goal codes to Fund 12

Every Student Succeeds Act (ESSA) Per-Pupil Expenditure (PPE) Reporting Update

- Collection period will be December 2023 through March 2024
 - LEAs will be emailed access codes at the end of November/beginning of December.
 - LEAs will be required to use fall enrollment data for ESSA PPE Reporting
- One informational webinar will be held in January 2024. Additional information regarding the webinar will be provided with the access code letter.
- Questions regarding ESSAPPE can be directed to essappe@cde.ca.gov

School Level Finance Survey (SLFS) Update

The National Center for Education Statistics (NCES) within the US Department of Education (ED), along with the Office of Civil Rights (OCR), is implementing a new requirement, the School-Level Finance Survey (SLFS) that will allow for more continuity in reporting data at the school-level so that expenditures can be compared on a local, state, and national level.

SLFS Update - Timeline

Fiscal Year	LEA Due Date	Required Data
2021-22	March 1, 2023	ESSA PPE submission
2022-23	March 1, 2024	ESSA PPE submission
2023-24	March 1, 2025	NCES Function Instruction (1000)
2024-25 and beyond	March 1, 2026	NCES Functions: <ul style="list-style-type: none"> • Instruction (1000) • Pupil Support Services (2100) • Instruction Support Services (2200) • School Administration (2400) Plus, three exhibits: <ul style="list-style-type: none"> • Salaries paid to teachers (With NCES Function 1000) • Salaries paid to instructional staff or assistants (With NCES Function 1000) • Books and Periodicals (with NCES Functions 1000 and 2200)

SLFS Update - Crosswalk to CSAM (1)

NCES Function	NCES Description	SACS Function(s)
1000	Instruction	1000 - Instruction 1110 - Special Education: Separate Classes 1120 - Special Education: Resource Specialist Instruction 1130 - Special Education: Supplemental Aids and Services in Regular Classrooms 1190 - Special Education: Other Specialized Instructional Services
2100	Student Support Services	3110 - Guidance and Counseling Services 3120 - Psychological Services 3130 - Attendance and Social Work Services 3140 - Health Services 3150 - Speech, Pathology, and Audiology Services 3900 - Other Pupil Services
2200	Instructional Staff Support	2100 - Instructional Supervision and Administration 2130 - Curriculum Development 2140 - In-House Instructional Staff Development 2420 - Instructional Library, Media, and Technology 2490 - Other Instructional Resources 3160 - Pupil Testing Services
2400	School Administration	2700 - School Administration

SLFS Update - Crosswalk to CSAM (2)

NCES Description	SACS Object(s)
Salaries paid to teachers (With NCES Function 1000)	1100 - Certificated Teachers' Salaries
Salaries paid to instructional staff or assistants (With NCES Function 1000)	2100 - Classified Instructional Salaries 2200 - Classified Support Salaries 2900 - Other Classified Salaries
Books and Periodicals (with NCES Functions 1000 and 2200)	4100 - Approved Textbooks and Core Curricula Materials 4200 - Books and Other Reference Materials

SLFS Update - Calculating the SLFS (1)

- Included expenditures:
 - LEAs need to report all expenditures related to the day-to-day operation of public schools, which includes those incurred by school districts. These expenses involve staff salaries, benefits, supplies, purchased services, as well as general and school administration costs.
 - It is important to note that the law requires actual expenditures, not budgeted or estimated, to be used in the SLFS calculation.
 - The SLFS will be reported as a total expenditure amount, and not a per-pupil amount.

SLFS Update - Calculating the SLFS (2)

- Excluded Expenditures
 - Expenditures not associated with prekindergarten through grade twelve students, such as adult education. Additionally, one-time significant expenditures, such as facility acquisition, should be excluded as it may distort the school-level data. The CDE recommends LEAs consider the following categories for exclusion:
 - Adult Education (Fund 11; Goal 4XXX)
 - Capital Outlay (Function 8500; Object 6XXX)
 - Community Services (Goal 8100, Function 5000)
 - Debt Service (Function 9100, Object 74XX)
 - Nonagency (Goals 7110 and 7150)
 - Tuition (Function 9200, Object 71XX)
 - Transfers (Functions 9200 and 9300; Object 72XX, 76XX)
 - County Services to Districts (Goal 8600)

SLFS Update - Data Collection

- CDE will collect the SLFS data from LEAs via the existing ESSA-PPE data collection system.
- ESSA PPE data will be utilized to fulfill the reporting requirements for LEAs through fiscal year 2022–23, however, additional information will be required of LEAs to fulfill this requirement starting with fiscal year 2023–24 data

Resource Code Updates (1)

New validation tables dated September 29 were included in the October 25 SACS Web system release.

Files are posted here on CDE's [SACS Valid Codes and Combinations - Standardized Account Code Structure \(SACS\) \(CA Dept of Education\)](#) web page.

- Resource 4129 – Bipartisan Safer Communities Act – Stronger Connections Grant (BSCA-SCG)
- Resource 6018 – Student Support and Enrichment Block Grant
- Resource 7399 – LCFF Equity Multiplier

Resource Code Updates (2)

The following resource codes end June 30, 2024:

- RS 4810 – Other ARRA Programs
- RS 7431 – COVID-19 Supplemental Funding for ROCPs

The following resource codes end June 30, 2025:

- RS 7422 – In-Person Instruction (IPI) Grant
- RS 7425 – Expanded Learning Opportunities (ELO) Grant
- RS 7426 – Expanded Learning Opportunities (ELO) Grant: Paraprofessional Staff

To receive email notifications of future table updates, subscribe to the mailing list by sending a blank message to join-sacs-update@mlist.cde.ca.gov.

Indirect Cost Rate Calculation - Office of Management and Budget Proposed Changes to the Uniform Guidance for Federal Awards (OMB 2 C.F.R. Part 200) (1)

OMB proposed changes to the Uniform Guidance (2 C.F.R. Part 200). 2 C.F.R. Part 200 establishes uniform administrative requirements, cost principles, and audit requirements for federal awards.

Proposed changes that impact the ICR calculation:

- Federal Single Audit compliance threshold increases from \$750,000 (2.CFR 200.501) to \$1,000,000.
- *SACS Function Code 7190* – Annual financial audits conducted pursuant to the Single Audit Act. Costs reported in this function are included in the LEA's indirect cost pool on the Form ICR.
- *SACS Function Code 7191* - Annual financial audits conducted when the LEA expends *less than \$750,000* in federal funds and a single audit is not required. Costs reported in the function are included in the total base costs on the Form ICR.

Indirect Cost Rate Calculation - Office of Management and Budget Proposed Changes to the Uniform Guidance for Federal Awards (OMB 2 C.F.R. Part 200) (2)

- Increase the threshold from \$5,000 to \$10,000 in determining items that are considered equipment. Currently, property costing up to \$5,000 (2.CFR.200.33) can be charged to federal grants as supplies rather than equipment. Amounts charged as supplies (Objects 4000-4999) are included in the total base costs. Amounts charged as equipment (Object 6400/6500) are excluded entirely from the ICR calculation.
- Increase the exclusion threshold of subagreements from \$25,000 to \$50,000. Current indirect cost guidelines allows that up to \$25,000 (2.CFR.200.68) for each individual subagreement may be coded to Object 5800 (Professional/Consulting Services & Operating Expenditures) with the remainder charged to Object 5100 (Subagreements for Services). Amounts charged to Object 5800 are included in the ICR calculation and in eligible program expenditures on which indirect costs are charged. Amounts charged to Object 5100 are excluded entirely from the ICR calculation.

Indirect Cost Rate Calculation - Office of Management and Budget Proposed Changes to the Uniform Guidance for Federal Awards (OMB 2 C.F.R. Part 200) (3)

- OMB has asked interested parties to submit comments on or before December 4, 2023. Link to OMB's proposed guidance: <https://www.federalregister.gov/documents/2023/10/05/2023-21078/guidance-for-grants-and-agreements>.

Governmental Accounting Standards Board (GASB) 100 – Accounting Changes and Error Corrections (1)

- Issued in June 2022, and effective for fiscal year (FY) 2023–24
- An amendment of GASB 62 (issued in 2010)
- Removed prior-period adjustments
 - A method of recognition rather than a type of transaction or other event
 - To remove redundancy and alleviate confusion in practice

GASB 100 – Accounting Changes and Error Corrections (2)

Two main categories:

1. Accounting Changes

- Change in Accounting Principle
- Change in Accounting Estimate
- Change to or within the Financial Reporting Entity

2. Error Correction

GASB 100 – Accounting Changes and Error Corrections (3)

Accounting for Accounting Changes and Error Corrections

Changes in accounting principles

- Reported retroactively by restating prior periods, if practicable
- If not practicable, restate beginning balances of current period

Changes to or within the financial reporting entity

- Reported by adjusting beginning balances of the current period

GASB 100 – Accounting Changes and Error Corrections (4)

Changes in accounting estimates

- Reported prospectively by recognizing the change in the current period

Error Correction

- Reported retroactively by restating prior periods presented

GASB 100 – Accounting Changes and Error Corrections (5)

- Requires disclosure in notes in financial statements, and
- Addresses how the information be presented in
 - required supplementary information, including management's discussion and analysis, and
 - supplementary information, including the statistical section tables.
- GASB 100 can be accessed at the <https://gasb.org>

GASB 101 – Compensated Absences (1)

- Issued in June 2022 and will be effective for FY 2024–25
- Supersedes GASB 16, *Accounting for Compensated Absences* (issued in 1992)
 - Compensated absences - absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave.

GASB 101 – Compensated Absences (2)

- Definition of “compensated absences”

A compensated absence is leave for which employees may receive one or more (a) cash payments when the leave is used for time off; (b) other cash payments, such as payment for unused leave upon termination of employment; or (c) noncash settlements, such as conversion to defined benefit postemployment benefits.
- Examples – vacation (or annual) leave, sick leave, paid time off, holidays, parental leave, bereavement leave, and certain types of sabbatical leave

GASB 101 – Compensated Absences (3)

Exception – not be recognized as a liability for compensated absences:

- Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits
- Parental leave, military leave, and jury duty leave until the leave commences
- Unlimited leave
- Holiday leave that is taken on specific date not at the discretion of employees
- Restricted sabbatical leave

GASB 101 – Compensated Absences (4)

Recognition and Reporting in Government-wide Financial Statements

1. Leave that has not been used

Recognize a liability if all the following are met:

- Services already rendered
- Accumulates
- More likely than not to be used for time off or otherwise paid in cash or settled through noncash means

2. Leave that has been used, but is not settled in cash or through other means

GASB 101 – Compensated Absences (5)

Recognition and Reporting in Governmental Funds

- No change from previous statement
- Recognize expenditures only when payments come due upon the occurrence of relevant events
 - For example, employee resignations and retirements
- No expenditure be recognized for unpaid balance of compensated absences for active employees
- For portion of compensated absences used but not yet paid as of fiscal year end, liability may be reported with salaries payable

GASB 101 – Compensated Absences (6)

CSAM Procedure 465, *Liability for Compensated Absences in Governmental Funds*

- Overall, the procedure is still correct, except the following:
“...In most LEAs, because sick-leave days are not normally paid at termination, they are not a liability for purposes of this procedure...”
- Under GASB 101, LEAs will need to perform an analysis to determine a liability in government-wide financial statements
 - How much sick leave balances more likely than not to be used as time off in future reporting periods

GASB 101 – Compensated Absences (7)

Considerations for implementation:

- Review types of leave provided by your LEA
- Review the employment policies for each type of leave
- Start to gather historical information about the use, payment, or forfeiture of compensated absences

GASB 101 can be accessed at the <https://gasb.org>.



SACS Financial Reporting

CALIFORNIA DEPARTMENT OF EDUCATION
Tony Thurmond, State Superintendent of Public Instruction

SACS Web-Based Financial Reporting System (SACS Web System) Update (1)

Reporting Period Release Dates

- 2022–23 Unaudited Actuals reporting period released June 30
 - Special Education Maintenance of Effort reports (SEMA and SEMB) released August 25
 - Government-wide reports (CNVRT, DTERM, ENTRY, GSA, and GSNP) released September 29
- 2023–24 1st Interim reporting period released October 25
 - Included the September 29 validation table update
- 2023–24 2nd Interim report period anticipated by mid-January

SACS Web-Based Financial Reporting System (SACS Web System) Update (2)

Reminders

- Issue: 2022–23 Unaudited Actual submissions may not have included the most recent Form GANN or Charter School ALT Form
 - CDE will open and resave these forms
 - CDE will notify the UA Certification (Form CA) contact of significant differences between the forms as received vs the forms after opened and resaved

SACS Web-Based Financial Reporting System (SACS Web System) Update (3)

Reminders

- Issue: The 2023–24 Interim period forms do not extract data from 2022–23 Unaudited Actual submissions. 2022–23 Unaudited Actual amounts will need to be manually entered into the following 2023–24 Interim period forms:
 - Criteria and Standards (Form 01CSI)
 - Every Student Succeeds Act Maintenance of Effort (Form ESMOE)
 - Special Education Maintenance of Effort (Report SEMAI)

Proposed SACS Web System 2024 Changes: Criteria and Standards (1)

- Criteria and Standards (C&S) committee convened Sept 2023
 - Proposed changes will be presented to State Board of Education (SBE) in January 2024 for adoption
 - If adopted by SBE, the revisions will deploy in SACS Web 2024–25
 - Proposed Changes – applicable to Districts, COEs, and JPAs:
 - 1) Remove terminology no longer applicable to LCFF
 - 2) Technical changes to improve fiscal monitoring reviews
 - 3) Change ADA threshold from 400,000 to 250,000 to conform to Senate Bill 913 (Chapter 920, Statutes of 2022)

Proposed SACS Web System 2024 Changes: Criteria and Standards (2)

- 1) Remove terminology no longer applicable to LCFF
 - LCFF Criterion (2/4), Salaries and Benefits Criterion (3/5)
- 2) Technical changes to improve fiscal monitoring reviews
 - Require Form Cash at budget period (LEAs may continue to use its own Form CASH)
 - Currently only required at Interim
 - Add projected end of fiscal year cash balance Criterion at budget period (Fund Balance will be renamed to Fund and Cash Balances-Criterion 7/9)

Proposed SACS Web System 2024 Changes: Criteria and Standards (3)

- 3) Change ADA threshold from 400,000 to 250,000 to conform to Senate Bill 913 (Chapter 920, Statutes of 2022).
 - Applicable to Districts and JPAs
 - Criterion 9 – Fund Balance
 - Criterion 10 – Reserves
 - Change the last tier of the ADA threshold from 400,000 to 250,000



Other Items

CALIFORNIA DEPARTMENT OF EDUCATION
Tony Thurmond, State Superintendent of Public Instruction

Next Meeting

Next meeting scheduled for February 13, 2024

Any Questions?



FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Sunset Date Eliminated for Virtual Meetings During Emergencies



BY KYLE HYLAND

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posted November 9, 2023

Over the past couple of years, Governor Gavin Newsom has signed several bills into law that have given local agencies, including local educational agencies (LEAs), flexibilities from specific Brown Act provisions (see "[More Brown Act Flexibilities Coming in January 2023](#)" in the October 2022 *Fiscal Report*).

While only one significant Brown Act bill landed on his desk this year, Assembly Bill (AB) 557 (Hart, Statutes of 2023), it does eliminate the sunset date on provisions of law permitting local agencies to use teleconferencing during a proclaimed state of emergency.

In September 2021, Governor Newsom signed an urgency bill into law that authorized, until January 1, 2024, a local agency to use teleconferencing for public meetings, without complying with certain Brown Act requirements, in any of the following circumstances:

- The legislative body holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing
- The legislative body holds a meeting during a proclaimed state of emergency for the purpose of determining by majority vote whether, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees
- The legislative body holds a meeting during a proclaimed state of emergency and has determined by majority vote that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees

AB 557 signed into law by Governor Newsom on October 8, 2023, eliminates the January 1, 2024, sunset date stipulated in the urgency measure described above. This means that the teleconference flexibilities stipulated in AB 361 (Rivas, Statutes of 2021) during proclaimed states of emergency over the past two years will not sunset on January 1, 2024, but will instead continue indefinitely during proclaimed states of emergency.

We recommend that you review the article that we published in our September 2021 *Fiscal Report*, "[Urgency Bill Allowing Virtual Meetings Signed by Governor Newsom](#)," to better understand the teleconference flexibilities that your LEA is entitled to during a proclaimed state of emergency. It is important to note, however, that AB 557 does make the following changes to the language in AB 361:

- Changes the frequency with which a legislative body must make specified findings in order to continue to teleconference during a proclaimed state of emergency, from every 30 days to every 45 days
- Removes all references to social distancing in the statute
- Allows legislative bodies to teleconference meetings during proclaimed states of emergency but no longer allows local agencies to continue to hold meetings if a state of emergency ends, but state or local officials continue to impose or recommend measures to promote social distancing

The provisions of AB 557 will officially go into effect on January 1, 2024.

FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

2023-24 First Interim Report Considerations



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The First Interim report is a snapshot in time of the local educational agency's (LEA) revenue and expenditure forecasts for the current fiscal year as well as a projection of the two subsequent fiscal years. The First Interim report covers the period of time from July 1 through October 31 each fiscal year and must be submitted to the county office of education (COE) no later than December 15. Adjustments to the adopted budget should include any changes based upon the Enacted Budget and subsequent trailer bills, the closing of the prior fiscal year, and other local factors.

The School Services of California Inc. (SSC) Financial Projection Dartboard (Dartboard) is updated with the Enacted Budget to include the financial factors needed for your budget and can be found by clicking [here](#). Revisions to the Dartboard will be made with the release of the Governor's Budget proposal for 2024-25 in January.

Below are legal considerations and "best practices" to help with the First Interim report.

COLA

At the time of the Enacted Budget in June 2023, the Department of Finance projected a statutory cost-of-living adjustment (COLA) of 3.94% for 2024-25. As a reminder, the statutory COLA is calculated using federally aggregated data points and, as of June 2023, four of the eight data points were known. The sixth data point was released in October 2023 and, based on the six available data points, it is unlikely that the statutory COLA will yield a factor of 3.94%. In fact, the statutory COLA for 2024-25 is trending near 2.00% or below. Based on this, we recommend that LEAs prepare multiple scenarios that contemplate a range of options.

COVID-19 Resources

More than \$25 billion in one-time funds have been allocated to LEAs in response to the COVID-19 pandemic. This tremendous influx of money to open schools and address learning loss, compounded by the labor shortage of qualified people to meet the needs of students, is causing consternation as LEAs try to spend emergency funds by their published deadline. LEAs should be aware of the deadlines occurring within the next 12 months:

Award	Deadline
ESSER III (Resources 3213 and 3214)	September 30, 2024
Expanded Learning Opportunities Grant (Resources 3218 and 3219)	September 30, 2024

For more information, including deadlines and allowable uses, on the all the COVID-19 resources, please see the [California Department of Education’s \(CDE\) COVID-19 Funding Summary Sheet](#).

Accounts Receivable/Accounts Payable

The California School Accounting Manual (CSAM) defines “accounts receivable” as amounts due from private persons, firms, and corporations. LEAs may inadvertently err on the side of overstating the balance of their accounts receivable.

To enhance the accuracy of your agency’s accounts receivable, review the remaining balances in accounts receivable (Object Code 92xx) to ensure they are accurate and meet the CSAM’s criteria for an accrual. Any unresolved accounts receivable from the prior year should be investigated to determine whether they are still valid and collectible according to the CSAM. An accounts receivable reconciliation report will assist in fully understanding amounts due that are still outstanding and allow you to clear any recorded receivables that will not materialize this fiscal year.

The CSAM defines “accounts payable” as amounts due to private persons, firms, or corporations for services rendered and goods received on or before the close of the year. In contrast to the accounts receivable, LEAs may inadvertently understate the balance of their accounts payable by failing to accrue an amount due to an outside vendor.

As with accounts receivable, any accounts payable (Object Code 95xx) items remaining that were accrued the prior year should be investigated to ensure that they are still outstanding. If they are not, then an adjusting entry should be made to clear that item from the accounts payable balance.

Attendance

Funded average daily attendance (ADA) has changed dramatically over the past two years as the Governor and Legislature provided additional relief to combat the significant declining enrollment, and precipitous drops in student attendance rates, driven largely by the COVID-19 pandemic. The policies provided an off-ramp—rather than a fiscal cliff—for LEAs.

The benefits of these policies are becoming less impactful the further removed we are from 2021-22. LEAs should be reviewing monthly attendance reports to determine if their ADA-to-enrollment ratios are recovering to pre-pandemic levels, or if the post-pandemic attendance levels are the new normal.

Additionally, communicating the fiscal impact of absences—which range from \$75 to \$95 per day—can be impactful as many educational partners are unaware that a student’s absence adversely impacts the fiscal health of their LEA.

California State Teachers’ Retirement System On-Behalf Payments

Review the CDE’s guidance [here](#). In the Standardized Account Code Structure (SACS), the journal entry to recognize the state’s on-behalf pension contribution to the California State Teachers’ Retirement System (CalSTRS) is to debit pension contribution expenditures by fund, goal, and function in proportion to the LEA’s own pension contributions to CalSTRS by fund, goal, and function with a corresponding credit to state revenue.

The amount for 2023-24 must be calculated for each entity using guidance provided on the CalSTRS website, which can be found by clicking [here](#). This activity should occur in Resource Code 7690, and revenues will equal expenditures. The link for the spreadsheet to allocate the amount across the funds, goals, and functions is provided by the CDE and can be found by clicking [here](#).

It is important to explain that this is a “paper only” entry and does not impact the bottom line. However, the required Reserve for Economic Uncertainties will need to be increased because a “phantom” expense is recorded for the CalSTRS on-behalf payment.

Carryover Balances

Now that the books are closed for 2022-23, it is time to add carryover balances for categorical programs, school sites, and departments to their expenditure budgets. When expenditures include carryover balances from categorical funds or site/department budgets from the prior year, there will likely be deficit spending. For most categorical funds, LEAs will recognize the expenditure, not the revenue, and should include narrative in the assumptions to address the increased spending. However, some of the one-time COVID-19 resources do not reside in ending fund balance and, thus, revenues and expenditures will be recognized in 2023-24. Ensure that carryover expenditures and revenues are removed, as appropriate, when preparing the multiyear projection for 2024-25 and 2025-26.

Cash Flow

Cash deferrals are in the past, but preparing an accurate cash flow is still critically important. Cash is king, and without cash, payroll can not run and vendors can not be paid. LEAs will likely see a large reduction in cash receipts in “Other State Revenues” in 2023-24, as the state appropriated more than \$8 billion of the two one-time, restricted block grants—the Learning Recovery Emergency Block Grant and the Arts, Music, and Instructional Materials Discretionary Block Grant. The final \$1.6 billion of the Arts, Music, and Instructional Materials Discretionary Block Grant was appropriated in October 2023, and is likely to be recognized in the “Balance Sheet” portion of the cash flow statement as the full amount should have been accrued as revenue in 2022-23.

Those LEAs that are community funded, with reserve balances at or near the legal minimum, in declining enrollment, or in a growing environment should conduct an additional cash flow projection for the year following the budget year to ensure adequate reserve balances are available.

Charter Schools

Supplemental and concentration (S/C) grants for charter schools are limited to no more than the S/C grant increase of the school district where the charter is physically located. Education Code Section (EC §) 42238.02(f) (2) allows a charter school to include its authorizing school district when determining its physical location.

Payments for in-lieu property taxes are required to be received and recorded monthly. If you are a chartering authority, ensure that the in-lieu property taxes between your financial statements and your authorized charter schools net to zero.

Clearing Funds

As stated in its title, clearing funds are cash conduits used by the LEA to account for receipts due to agencies such as medical providers, the Internal Revenue Service (IRS), CalSTRS, and the California Public Employees' Retirement System (CalPERS). The clearing funds should have a zero balance after the payment has been sent to the agency. Over the course of the year, the clearing funds should be reconciled and cleared on a monthly basis.

Collective Bargaining Agreements

If your collective bargaining agreements have been settled for the current and subsequent years, ensure that your budget includes any adjustments to salary as well as professional development costs, substitute costs, or other changes to the agreements that need to be budgeted.

Local Control Funding Formula/Local Control and Accountability Plan

LEAs must ensure compliance with the TK-3 grade span adjustment (GSA) requirement. The First Interim reporting period is a good time to monitor class loads and calculate compliance with the average class size of 24 at each school site. If your entity does not have a collectively bargained alternative, it is critically important to ensure you are not in jeopardy of losing this funding. The penalty of noncompliance is \$1,032 per ADA for all ADA generated in grades TK-3. Charter schools automatically receive this GSA funding but are not required to meet the enrollment average.

Continuing in 2023-24, both school districts and charter schools must comply with additional TK-specific calculations or risk facing penalties. More information on the topic can be found [here](#).

In addition to reviewing the TK-3 grade span compliance, and additional TK-specific requirements, LEAs should review the following areas:

- Verify unduplicated pupil counts reported based on California Longitudinal Pupil Achievement Data System Fall 1 reporting, which opened October 4, 2023, and closes December 15, 2023. More information on the reporting can be found [here](#)
- Begin scheduling educational partner meetings for input for the subsequent Local Control and Accountability Plan (LCAP)—the LCAP must be adopted by June 30, 2024
- Verify Local Control Funding Formula (LCFF) funding and prior-year receivables and payables if any adjustments were made during an audit
- Update ADA estimates based upon enrollment projections for current and future years and make adjustments, as applicable, to LCFF revenues

Lottery

The most recent projections from the CDE estimate unrestricted Lottery funding at \$177 per ADA and restricted Lottery funding at \$72 per ADA, multiplied by an enrollment factor of 1.04446. Note that Lottery funding projections should be based on current-year ADA projections. SSC will provide updated figures, as applicable, in our Dartboard with the release of the Governor’s Budget in January 2024.

Multiyear Projections

State General Fund revenues, while tracking with projections, are doing so because projections have been lowered multiple times since the enactment of the 2022-23 State Budget. A significant unknown is the final tax collections for 2022-23, as both the IRS and Franchise Tax Board extended the April 2023 tax filing deadline to November 16, 2023. Annually, April represents the single largest grossing month for tax receipts for California, and the delay creates trepidation about the fiscal health of the state. The delay also increases the likelihood that no fiscal update will be provided by the Governor until the release of Governor’s Budget proposal in January 2024.

Position Control

First Interim provides an opportunity for LEAs to update budgeted staffing costs based on current staffing projections. Budgets were built based on employee and enrollment projections in the spring of 2023 and should be adjusted based on actual staffing and enrollment, inclusive of savings from vacancies, actual step and/or column adjustments, and changes in full-time equivalencies. In addition to looking at the salaries and benefits of current staff compared to last year, it is important to review whether services require support from outside entities. LEAs may need to move budgeted expenses from salaries and benefits to contracted services. Also, if an LEA has a significant number of vacancies in the budget, consideration should be given to whether those vacancies should be budgeted going forward.

Reserves

School districts were impacted by the reserve cap for the first time in 2022-23, and it appears the reserve cap will be triggered for the foreseeable future. SSC has always encouraged LEAs to maintain sufficient reserves to meet their LEA-specific needs, which is invariably higher than the state-required minimum. Given the

triggering of the reserve cap, school districts might consider taking board action to commit funds for specific costs such as special education cost increases, increasing CalSTRS/CalPERS contributions, or other LEA priorities.

New challenges arose with the COVID-19 pandemic, such as addressing learning loss and the need for additional health and safety protocols. Although record federal funds were distributed through the Coronavirus Aid, Relief, and Economic Security; Coronavirus Response and Relief Supplemental Appropriations; and American Rescue Plan Acts, those funds should be considered one-time in nature and should be closely monitored if used for ongoing purposes, especially with the final tranche expiring on September 30, 2024. LEAs should ensure a plan is in place to account for any ongoing costs that were charged to the one-time funds.

As a reminder, the reserve cap law excludes charter schools, small school districts, and community-funded districts.

Routine Restricted Maintenance Account

The contribution to the Routine Restricted Maintenance Account (RRMA) is in full effect for the 2023-24 year and beyond. Any LEA that qualifies based on EC § 17070.75(b)(2) must contribute no less than 3% of total General Fund expenditures to Resource Code 8150.

Various bills from 2019-20 through 2022-23 amended the definition of total General Fund expenditures for the purpose of calculating the RRMA contribution by excluding the following:

- Expenses coded to Resource Code 7690
- Expenses of one-time pandemic funding sources in Resource Codes 3212, 3213, 3214, 3216, 3218, 3219, 3225, 3226, 3227, 3228, 5316, 5632, 5633, 5634, and 7027

Compliance with this law is monitored through the Criteria and Standards, but ultimate compliance is measured against total General Fund expenditures as of Unaudited Actuals, adjusted for the exceptions above. Note that the law does not contemplate how much is spent in the RRMA, but only that the contribution is no less than 3%.

Special Education Maintenance of Effort and Excess Costs

Once you review the LEA's special education revenue, expenditures, and contributions as they are budgeted, you can then project whether your agency will meet the maintenance of effort (MOE) and excess cost requirements by year's end. Although a review of the MOE and excess cost reporting is not required at this time, it is considered best practice to ensure that your agency has an opportunity to make any necessary adjustments. The Special Education Maintenance Actuals Interim report, or Form SEMAI, can be accessed in the Reports section of SACS. These voluntary forms will assist in getting an up-to-date review of where you stand. Programmatic changes influence your special education spending and identifying opportunities to make adjustments is best done earlier in the year. Additionally, review the factors from your Program Cost Report Allocations form to ensure that centralized costs are distributed accurately.

If your agency is not projected to meet the MOE, or if your MOE obligation is growing dramatically, contact your Special Education Local Plan Area for assistance in reviewing your agency's costs to ensure you have captured appropriate expenditures and consider eligible MOE adjustments.

Current law allows four exemptions to reduce the current-year MOE:

- Voluntary or just cause departure of special education or related personnel
- A decrease in special education enrollment
- The termination of the obligation to provide services because a student with a high-cost need has either left the jurisdiction of the agency, reached the age of 22, or no longer needs a service of special education
- Costly expenditures such as equipment or facilities are terminated

Transportation

School districts and COEs are now reimbursed for 60% of home-to-school transportation costs, less any funds already apportioned through the LCFF specific to transportation. Expenditures recorded for the Home-to-School Transportation Reimbursement program, Function Code 3600, should be reviewed to ensure that they are all appropriate.

School districts and COEs that are eligible for the reimbursement—those that's LCFF add-ons are less than 60% of eligible expenditures or that have eligible expenditure and do not receive an LCFF add-on—must update their plan by April 1, 2024, or risk losing the additional funding generated through the reimbursement. For more information on the requirements of the plan, please visit the CDE website [here](#).

In addition, school districts and COEs still have an MOE requirement. The MOE is measured by the lesser of the following:

- Expenditures for transportation in 2012-13
- State revenues received for home-to-school transportation and small school bus replacement in 2012-13

For most LEAs, the second will be the operative test. The penalty for noncompliance with this MOE requirement is a finding in the annual audit report, but there is no fiscal penalty. For more information on the topic, please see the August 2020 Fiscal Report article, "[Ask SSC . . . What Are the Requirements for the Transportation MOE?](#)"

Additional Information

Ensure that the filing of reports is done in a timely manner. Key reporting deadlines for specific programs can be found in our biweekly Fiscal Report series, "[Critical Deadlines and Funding Opportunities](#)."

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October Inflation Down

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The U.S. Bureau of Labor Statistics reported today, November 14, 2023, that the Consumer Price Index (CPI)—the U.S. measure of inflation—fell from 3.7% in August and September to 3.2% on an unadjusted annual basis in October. On a monthly basis, the index remained unchanged. The annual reduction is attributable in large part to lower oil and energy prices, despite the continued rise in the shelter and food indexes.

Core inflation, which excludes the costs for food and energy, fell to 4.0% year over year. This represents a slight decrease from the 4.1% core inflation reported for September.

Shelter, motor vehicle insurance, recreation, personal care, and household furnishings and operations indexes all showed a notable increase over the past year, while used cars and trucks, communication, and medical care indexes decreased.

The cooling of inflation was slightly better than anticipated and Wall Street is reacting positively with the S&P 500 and Nasdaq both up more than 2.0%, and the Dow Jones Industrial Average up more than 550 points as of this writing.

Although welcome news, the Federal Reserve (Fed) has indicated that its restrictive policy towards interest rates will continue until inflation further abates. Whether this means in the short term that the Fed continues to hold interest rates steady or will raise its key interest rate once more by a quarter of a percentage point in early 2024 remains to be seen. We will continue to monitor the CPI as well and the Fed's actions regarding interest rates. Inflation influences the annual cost-of-living adjustment (COLA), although COLA is specifically determined by a federal price deflator for government entities.