SMMUSD Financial Oversight Committee
Date: Thursday, June 11, 2020
Time: 4:00 pm to 6:00 pm
Via Zoom by phone at: 669-900-6833 or online at:
https://us02web.zoom.us/j/87194305360 Meeting ID: 871 9430 5360 -
Per Executive Order N-29-20 Issued By Governor Gavin Newsom

AGENDA

As per Executive Order N-29-20 from Governor Newsom, the Santa Monica-Malibu Unified School District Board of Education meetings will move to a virtual/teleconferencing environment using Zoom. The purpose of the Governor's executive order is to control the spread of Coronavirus (COVID-19) and to reduce and minimize the risk of infection by "limiting attendance at public assemblies, conferences, or other mass events." The Governor's executive order on March 12, 2020, already waived the requirement for a majority of board members to physically participate in a public board meeting at the same location.

The intent is not to limit public participation, but rather to protect public health by following the Governor's Stay at Home executive order and the LA County's Safer at Home order. Persons wishing to address the Committee regarding an item that is scheduled for this meeting must submit a Google survey "sign up" prior to discussion of that item. Persons wishing to address the Committee regarding an item that is not scheduled on this meeting's agenda may speak during the Public Comments section by submitting the Google survey "sign up" at the beginning of the meeting.

Instructions for public comments

1. Submit a Google survey "sign up" at https://forms.gle/CmESurF2KLy3o2u16. This survey will take the place of the "speaker chits" available at meetings.
2. Speakers will fill in their name and select if they wish to address the committee regarding a specific agenda item or during General Public Comments.
3. Speakers are asked to attend the FOC meeting virtually through the call-in number at the top of the agenda.
4. When it is time for the speakers to address the committee, their name will be called.
5. As with all meetings, once discussion begins on an agenda item, any speakers who sign up after that time will be given one minute to speak.

Instrucciones para comentarios del público

1. Una encuesta de Google "registrarse" https://forms.gle/K6c62mDebmTWmaoXA. Esta encuesta ocupará el lugar de las "fichas" disponibles en las reuniónes.
2. Los miembros del público las completarán con su nombre y seleccionarán si desean dirigirse a la junta con respecto a un punto específico de la orden del día o durante los comentarios públicos generales.
3. Se pide a las personas que deseen hacer comentarios que asistan a la reunión de la junta virtualmente a través del enlace que contiene la invitación de llamada de conferencia en la parte superior de la agenda.
4. Cuando llegue el momento de que el público se dirija a la junta directiva, se mencionará su nombre.
5. Al igual que las demás reuniónes, una vez que comience el debate sobre un punto de la orden del día, los oradores que se inscriban después de ese momento, tendrán un minuto para hablar.

I. **Call to Order**

II. **Approval of Agenda**

III. **Approval of FOC Meeting Minutes:** May 19, 2020

IV. **Assistant Superintendent, Business and Fiscal Report: Melody Canady *(10 min)***

2020-21 Preliminary budget documents
Presentation: https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=31291&MID=2829
Attachment: https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=31292&MID=2829
Multi-year Projection: https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=31293&MID=2829
Unrestricted General Fund Budget: https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=31294&MID=2829
Fiscal Stabilization Plan: https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=31295&MID=2829
Interim Report Review: https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030435&AID=31296&MID=2829

V. **Discussion/Action Items**

A. Recommendation to Adopt Measure R Annual Plan *(5 min)*
B. Bond Committee Recommendations *(15 min)*
C. Committee report to the Board of Education on July 16, 2020 (*30 min)*
   1. Budget Recommendations: *Mr. Covington, Mr. Jacobson, Ms. Maniar*
   2. Tax Revenue and Assessed Valuation: *Mr. Kremer, Ms. Mulvaney, Ms. Slaugh Nahass*
   3. Review of Prop YY and GSH projections: *Mr. Crawford, Mr. Farivar*
   4. Financial Benefits of Sustainability: *Mr. Jacobson, Mr. Covington, Mr. Crawford*
   5. Special Education: *Ms. Maniar, Mr. Kremer, Mr. Landres, Mr. Levis-Fitzgerald*
   6. Bond Oversight: *Mr. Lee, Mr. Covington, Mr. Crawford, Mr. Kremer*
D. Mandates for 2020-21 *(5 min)*
E. Nominating Subcommittee Recommendation for Membership effective July 1, 2020 *(5 min)*
F. FOC Special Meeting *(5 min)*

VI. **Receive and File *(Limited Discussion)***

A. SSC Fiscal Report: 2020–21 May Revision Proposes LCFF Cuts and Deferrals, but Some Good News Too posted 5/14/20
B. Public Correspondence dated May 23, 2020-May 24, 2020
C. Press Release: SMMUSD FOC Accepting Applications posted May 26, 2020
D. SSC Fiscal Report with linked references: Senate Rejects Governor Newsom's Education Cuts in State Budget Plan posted May 29, 2020
E. SSC Fiscal Report: Legislature Reaches Agreement on 2020–21 State Budget posted June 3, 2020

VII. Public Comments

A. Public Comments is the time when members of the audience may address the Committee on items not scheduled on the meeting's agenda. All speakers are limited to three (3) minutes. When there are a large number of speakers, the Chair may reduce the allotted time to two (2) minutes per speaker. The Brown Act (Government Code) states that Committee members may not engage in discussion of issues raised during "XIII. Public Comments" except to ask clarifying questions, make a brief announcement; make a brief report on his or her own activities, or to refer the matter to staff. This Public Comment section is limited to 20 minutes. If the number of persons wishing to address the Committee exceeds the time limit, additional time will be allowed at the discretion of the Chair.

VIII. Committee Comments

IX. Next Meeting:

- Thursday, July 16, 2020 *Joint Meeting / Study Session with the Board of Education
- Wednesday, September 9, 2020
- Thursday, October 8, 2020 – Malibu City Hall, Multipurpose Room
- Thursday, November 12, 2020
- Thursday, December 3, 2020
- Thursday, January 7, 2021
- Thursday, February 11, 2021
- Tuesday, March 11, 2021– Malibu City Hall, Multipurpose Room
- Thursday, April 15, 2021
- Wednesday, May 12, 2021
- Thursday, June 10, 2021
- TBD (July 2021) * Please note: This is a Joint Meeting / Study Session with the Board of Education - *SMMUSD District Office Board Room, 1651 16th Street.*

X. Adjournment

Future Meetings will be held monthly in the Testing Room at the District's Administrative Offices, 1651 16th Street, Santa Monica, California, unless otherwise noted.

In compliance with the Americans with Disabilities Act, for those requiring special assistance to access the meeting room, to access written documents being discussed at the meeting, or to otherwise participate at the meetings, please contact the Office of Assistant Superintendent, Business and Fiscal Services at 310-450-8338 for assistance. Notification at least 48 hours before the meeting will enable the District to make reasonable arrangements to ensure accessibility to the meeting and to provide required accommodations, auxiliary aids or services.

To: SMMUSD Board of Education
From: Seth Jacobson, Chair, Financial Oversight Committee
Subject: FOC Annual Report
Date: July 16, 2020

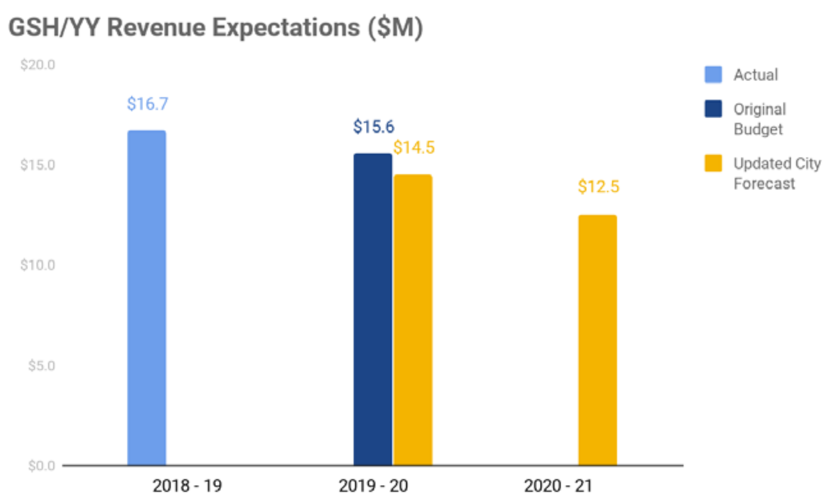
Financial Benefits of Sustainability

Per the direction of the Board, the committee has been engaged in the review of the negotiations on electricity use and the contract with Southern California Edison. The committee also reviewed the proposed work plan for the 2019-2020 year for the Sustainability Task Force, and has been involved in promoting it to the various key stakeholders. Much of the committee's work is now on hold pending the determination of the district as to staffing of the sustainability programs.

Review of Prop YY and GSH projections

Santa Monica reported in early May 2020 that the City was projecting a 14% decrease in sales tax this year and an additional 14% drop next year. David Carr, the Assistant City Treasurer, told the subcommittee that the numbers that they are using (as of May 5th) are $29,012,000 for this year and $25,075,000 for next year.

This would translate to SMMUSD revenue of $14,506,000 and $12,537,500 for this year and next, respectively. Last year, as a comparison, SMMUSD received $16,687,469 from GSH/YY. This year's budget originally forecasted $15,553,168 in funding. The expected shortfall this year will be slightly over $1M as depicted below:



The subcommittee will continue to stay in touch with City representatives to monitor any additional updates.

Click Here for COVID-19 Related Resources

FISCAL REPORT

Legislature Reaches Agreement on 2020–21 State Budget

BY KYLE HYLAND
BY PATTI F. HERRERA, EDD

posted June 3, 2020

On Wednesday afternoon, June 3, 2020, Senate President pro Tempore Toni Atkins (D-San Diego); Assembly Speaker Anthony Rendon (D-Lakewood); and Budget Committee Chairs Senator Holly Mitchell (D-Los Angeles) and Assemblymember Phil Ting (D- San Francisco) announced that the Senate and Assembly have reached an agreement on the 2020–21 State Budget.

The Proposition 98 package in the agreed upon framework adopts the approach approved last week by the Senate Budget and Fiscal Review Committee (see "Senate Rejects Governor's Education Cuts" in the May 2020 *Fiscal Report*), including the following:

- Fully funding the Local Control Funding Formula (LCFF), including the 2.31% cost-of-living adjustment (COLA)
- Providing an average daily attendance (ADA) hold harmless for local educational agencies (LEAs) in the 2020–21 fiscal year and requiring distance learning in the event of school closures
- Amending Governor Gavin Newsom's special education proposal to provide $545 million to increase Assembly Bill 602 base rates and $100 million for a low incidence disabilities cost pool
- Funding K–12 categorical programs at their 2019–20 levels, including all Career Technical Education programs and the After School Education Safety Program
- Maintaining and applying a COLA to the Standard Reimbursement Rate for the California State Preschool Program and the full-day State Preschool add-on rate
- Eliminating the statutory growth reduction for State Preschool slots

While we await further details on the agreement reached today, we assume that the budget agreement adopts the Senate's allocation methodology for the $4.4 billion in federal Coronavirus Aid, Relief, and Economic Security Act funding proposed in the May Revision for learning loss mitigation. The Senate's version approves the Governor's proposal to provide $1.5 billion of this funding to LEAs based on their number of students with disabilities, but allocates the remaining $2.9 billion to LEAs in proportion to total LCFF funding, effectively rejecting the Governor's proposal to limit the $2.9 billion to LEAs that qualify for concentration grant funding (see "May Revision Proposal to Mitigate Learning Loss" in the May 2020 *Fiscal Report*).

The Legislature's budget rejects the $8.1 billion reductions to Proposition 98 funding proposed in the Governor's May Revision and over appropriates the minimum guarantee by approximately $2.7 billion for 2020–21. While the agreement assumes that additional federal funding will materialize, there are trigger cuts built into the budget should the federal government not provide additional aid by September 1. However, even if the federal government does not approve additional funding, the proposed trigger cuts would not be applied to Proposition 98 nor health and human services, including early childhood programs. Instead, the state would convert an additional $5.3 billion ($4.63 billion for K–12 and $674 million for community colleges) of Proposition 98 funding into a deferral, effectively preserving K–14 programmatic funding.

While the Legislature's version of the budget includes a COLA for the LCFF and provides an ADA hold harmless, there is little additional flexibility included in the plan. We will need to see how the negotiations with the Governor's office play out considering the May Revision suspends the COLA, imposes additional cuts to the LCFF, and would effectively trigger the August layoff window. Meanwhile, the Legislature's budget deal would apply the 2.31% statutory COLA and over appropriate the minimum guarantee, implicitly evading that layoff window.

It's important to note that both the Assembly and Senate still need to officially adopt the 2020–21 State Budget Act by the June 15 constitutional deadline, and we are still waiting for the release of details related to relevant budget policies included in the legislative budget deal that will further illuminate the full extent of the legislative approach to the State Budget. While the Legislature needs to adopt the main budget bill by June 15, budget trailer bills are not subject to the same deadline and can be approved days or weeks after the State Budget Act.

We remind our readers that the Legislature is poised to adopt a budget that looks significantly different than the Governor's version, and legislative leadership still needs to negotiate with the Administration before the 2020–21 State Budget is implemented. The Governor also has the power to veto the entire budget and send it back to the Legislature or approve the budget with line-item reductions, giving Governor Newsom a lot of leverage in the upcoming budget negotiations. We remain committed to helping to ensure, depending on the final budget agreement between the Legislature and Governor Newsom, that LEAs are afforded the fullest flexibilities to help address their fiscal and educational programmatic needs.

Click Here for COVID-19 Related Resources

FISCAL REPORT

Senate Rejects Governor’s Education Cuts

BY KYLE HYLAND

posted May 29, 2020

The Senate Budget and Fiscal Review Committee, chaired by Senator Holly Mitchell (D-Los Angeles), met yesterday and adopted the Senate budget plan for the 2020–21 State Budget. In their version of the budget, the committee rejects almost all of Governor Gavin Newsom’s proposed education reductions in the May Revision (see “An Overview of the 2020–21 Governor’s May Revision” in the May 2020 *Fiscal Report*). Some of the highlights of the Senate’s Proposition 98 package include:

- Fully funding the Local Control Funding Formula, including the 2.31% cost-of-living adjustment (COLA)
- Providing an average daily attendance hold harmless for local educational agencies in the 2020–21 fiscal year and requiring distance learning in the event of school closures
- Amending the Governor's special education proposal to provide $545 million to increase Assembly Bill 602 base rates and $100 million for a low incidence disabilities cost pool
- Funding K–12 categorical programs at their 2019–20 levels, including all Career Technical Education programs and the After School Education Safety Program
- Maintaining and applying a COLA to the Standard Reimbursement Rate for State Preschool and full-day State Preschool add-on rate
- Eliminating the statutory growth reduction for State Preschool slots
- Funding the California Community Colleges (CCC) Student Centered Funding Formula, including a COLA
- Funding CCC categorical programs at 2019–20 levels, including the Strong Workforce Program and the Student Equity and Achievement Program
- Reducing CalBright College funding by $77 million one-time above the Governor’s $3 million ongoing and not providing a backfill for the College if federal funds become available
- Funding adult education programs at the 2019–20 levels

The committee’s budget rejects the $8.1 billion reductions in Proposition 98 funding that Governor Newsom has proposed in his May Revision. Rather than implementing a strategy similar to the Governor’s “trigger off” plan, which would essentially backfill the May Revision cuts if additional federal dollars materialize, the Senate’s plan assumes that additional federal funding will be available, but includes a “trigger on” solution that would reduce spending in the event that the federal government does not approve an additional stimulus package (see “HEROES Act Faces an Uphill Battle in the Senate” in the May 2020 *Fiscal Report*).

However, even if federal funds do not materialize, the Senate’s proposed trigger cuts would not be applied to Proposition 98 or health and human services. In the event that the federal government does not provide more aid to state and local governments, the Senate proposal would convert an additional $5.3 billion of Proposition 98 funding into a deferral, which would preserve K–14 programmatic funding.

The committee also approved placeholder trailer bill language for their budget proposals, which gives them flexibility to make changes to the implementing language of the 2020–21 State Budget as it continues to go through the process. It’s important to remember that the Legislature only needs to approve the State Budget Act by the June 15 constitutional deadline, while budget trailer bills can be approved days or even weeks after the main budget bill has been passed.

The budget plan approved by the Senate Budget and Fiscal Review Committee will need to be passed by the full Senate to officially make it the upper house’s version of the 2020–21 State Budget. We still do not know when the Assembly Budget Committee will approve their budget plan and how much it will differ from what the Senate is proposing, though we understand their intention is to complete this process next week. There are rumors that the Legislature is looking to avoid going into a Budget Conference Committee this year, but the only way for them to circumvent that step is for the two houses to pass an identical budget.

Click Here for COVID-19 Related Resources

FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

An Overview of the 2020–21 Governor's May Revision

BY SSC TEAM

posted May 14, 2020

Preface

The announcement of the May Revision to the 2020–21 State Budget today was a sobering event. Governor Gavin Newsom laid out in vivid detail how local educational agencies (LEAs) would see the COVID-19 recession translate into their budgets and programs. While not as drastic in any given area as the previewed 22% cut to Proposition 98 overall, LEAs are facing cuts to the Local Control Funding Formula (LCFF) and the few remaining categorical program funds, cash deferrals, and little flexibility to weather the storm.

But there were a few silver linings: Governor Newsom is once again providing help outside of Proposition 98 with funds to lessen retirement system employer costs and by spending discretionary federal funds on the students most affected by the pandemic. He also laid out that certain cuts could be lessened if additional funds are received from the federal government and shared the intention to boost Proposition 98 funding above the minimum guarantee once the state has recovered. And he remains committed to increasing equity in special education base funding, though having to leave behind many aspects of his January State Budget proposal, when the state was booming and its surplus growing.

What follows is our understanding of the Governor's economic projections and proposals for the 2020–21 State Budget laid out today and how those specific actions, if adopted by the Legislature, would affect your district.

Overview of the Governor's Budget Proposals

With the early release of the Department of Finance's revised revenue projections going into 2020–21, coupled with the Legislative Analyst's Office *California's Spring Fiscal Outlook*, our instinctual concerns about the economic effects of the global health crisis began to crystalize. Governor Newsom's May Revision—which marks the start of the final stretch of State Budget negotiations culminating in an adopted State Budget by June 15—symbolizes the somber realities of these times despite all efforts not to succumb to it. Our collective concerns were tempered by the fact that before the state was crippled by the coronavirus, we were enjoying the prosperity of a sound and healthy economy and prudent State Budget choices, like stashing away over $16 billion in our state's savings account and maintaining a healthy wad of cash in the state's wallet. Through the

Spartan leadership of former Governor Jerry Brown, California not only survived the Great Recession and tore down its historic Wall of Debt—the albatross of the mid-2000s—we managed to reach a level of economic prosperity reminiscent of the times of our parents' youth.

This May Revision turns a sharp corner for California, particularly for public education. Constrained by the fact that California doesn't have a printing press, Governor Newsom's revised State Budget proposes a multiyear effort to address the state's budget shortfall through a combination of efforts. This includes drawing down reserves from the State Budget Stabilization Account over the next three years but uses all of the funds in the public education's Rainy Day Fund immediately, canceling planned program expansions and new programs that were proposed in the January Budget proposal, making programmatic reductions across almost all government programs, and deferring payments such as K–12 and community college apportionments.

The Economy and Revenues

As all of us sat sheltered-in-place for the last two months, wondering when we might be able to resume our pre-COVID-19 lives, we knew that this virus was attacking our economy as well as the health of too many victims. In fact, before this crisis, the state had been enjoying the longest economic expansion in history and anticipated a State Budget surplus of nearly $6 billion going into 2020–21. Unemployment had reached historic lows both across the nation and in the state, and the average Californian's income increased by 25% since the Great Recession.

Now, economists expect the national gross domestic product to decline between 26% to 40% in the second quarter of this year, and California anticipates losing over 22% of revenues that we expected at the time the Governor released his relatively joyous January Budget proposal—mostly from the "big three" taxes of personal income, sales and use, and corporation tax. By his estimation, the "big three" taxes will be down from January estimates by:

- 27.2% for the Sales and Use Tax
- 25.5% for the Personal Income Tax
- 22.7% for the Corporation Tax

These revenues make up the lion's share of the revenue the state relies on to fund most of its major programs, including education and child care. The May Revision proposal assumes that the state faces a $54 billion State Budget deficit as it heads into the fiscal year 2020–21. According to the Governor's May Revision, this estimate includes a $41 billion loss in state revenue compounded by the added costs of increases in the number of Californians participating in state-subsidized programs. No one knows the path that the COVID-19 recession will take, and if the federal government will provide any additional relief beyond the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Federal action could help to mitigate this devastating hit to the national and state economy and the real losses that Americans and Californians feel as a result.

Rainy Day Fund

Over the last several years, the state has been making consistent deposits into the Budget Stabilization Account (Rainy Day Fund), which currently stands at $16.2 billion. In order to meet the constitutional requirement to balance the budget, the May Revision proposes to draw down the entirety of the state's Rainy Day Fund over three years, including nearly half ($7.8 billion) of the current balance in fiscal year 2020–21. The reason that the state cannot use the entire $16.2 billion in the 2020–21 State Budget year is because Proposition 2 (2014), which created the Rainy Day Fund, stipulates that a withdrawal may not exceed half of the Rainy Day Fund balance in the first year of a budget emergency.

Proposition 98

Adopted by state voters in 1988, Proposition 98 sets in the State Constitution a series of complex formulas that establish the minimum funding level for K–12 education and community colleges from one year to the next. This target level is determined by prior-year appropriations that count toward the guarantee and (1) workload changes as measured by the change in average daily attendance (ADA), and (2) inflation adjustments as measured by the change in either per capita personal income or per capita state General Fund revenues, whichever is less.

The Governor's January Budget provided some year-over-year increases, but COVID-19 has erased any such gains. The May Revision proposal provides a much more sobering picture for the Proposition 98 guarantee over the three budget years (2018–19, 2019–20, and 2020–21), due to a precipitous drop in General Fund revenues as a result of the economic crisis currently being experienced across the nation, yet felt more keenly in California given the breath and size of our economy.

The Governor's May Revision estimates that the minimum guarantee will decline approximately 23% from the 2019 State Budget Act over the three-year budget period. However, the May Revision is also proposing supplemental appropriations above the constitutionally required Proposition 98 funding level—from non-Proposition 98 funds—beginning in 2021–22 and going through 2023–24. The proposal provides for an allocation 1.5% of General Fund revenues per year up to a cumulative total of $13 billion. While this will help accelerate the growth in the minimum guarantee in the long-term and increase the share of General Fund revenues to Proposition 98 in a Test 1 year from 38% to 40%, it does not blunt the cuts in the short-term.

In addition to other mitigation measures, the May Revision proposal also reflects the withdrawal of all of the funding in the Public School System Stabilization Account, which was projected to be approximately $524 million in 2019–20 at the Governor's January Budget. This will help offset the decline in the minimum guarantee though it only reflects 3.5% of the total $15.1 billion loss, so its effect is minimal.

Current- and Prior-Year Minimum Guarantee

Proposition 98 funding levels have decreased from the Governor's January Budget for both 2018–19 and 2019–20. This is a reversal from January, where the funding levels for both 2018–19 and 2019–20 had increased from the 2019 State Budget Act due largely to an increase in property tax and General Fund revenues.

For the current year, the May Revision proposal adjusts the Proposition 98 guarantee down by $4.2 billion from the Governor's January Budget for an estimated $77.4 billion. In 2018–19, a modest increase of $300 million is reflected, increasing the minimum guarantee from $78.4 billion to $78.7 billion.

2020–21 Minimum Guarantee

For 2020–21, the May Revision proposes an even larger decline, with the Proposition 98 guarantee at $70.5 billion, a decrease of $13.5 billion from the Governor's January Budget and an almost $7 billion decrease year over year. The guarantee is still projected to be based on Test 1—funding based on education's proportion of General Fund revenues in 1986–87, which is estimated at 38%. Though, as noted above, this is proposed to be increased over the next four years to 40% by 2023–24.

Cost-of-Living Adjustment and Average Daily Attendance

While the May Revision proposal acknowledges the statutory cost-of-living adjustment (COLA) of 2.31%—just slightly higher than the 2.29% included in the January State Budget proposal—it suspends the COLA in 2020–21 for all eligible programs, including LCFF, Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, American Indian Early Childhood Education, and the Mandate Block Grant.

The Governor's May Revision confirms the continued decline in statewide ADA for the upcoming fiscal year—with declines going from the 0.33% estimated in January to 0.67%.

Local Control Funding Formula

As noted above, the May Revision proposal suspends the 2.31% statutory COLA. Therefore, the base grants—and subsequent grade span adjustments for the Transitional Kindergarten–3 and career technical education—as well as the supplemental and concentration grant amounts from 2019–20 will remain the same for 2020–21.

However, the May Revision proposes a reduction in addition to the statutory COLA suspension—for a total cut of 10%, or $6.5 billion—to the LCFF absent additional federal funding. The cuts are meant to proportionately reduce LCFF with the reductions taken from the base grant, which lowers the amount upon which supplemental and concentration grant funding is calculated. The effects of the cuts on individual LEAs will vary depending on the unduplicated pupil percentage of each LEA. However, on average, a 10% cut to LCFF translates to $1,050 per ADA.

During the press conference, Governor Newsom noted that a mechanism is being included within the proposed State Budget which he is providing to the Legislature so that the reduction would be "triggered off" if the federal government provides sufficient funding to backfill the cuts.

Deferrals

Unfortunately, the May Revision proposal brings back deferrals. For those of you who were in school agencies during the Great Recession, you will recall that deferrals are a cash flow management tool for the state, which require careful cash management by school agencies as they bridge the time gap between apportionments. The Governor proposes deferring approximately $1.9 billion of LCFF funding in June 2019–20 to July in 2020–21. Further, LCFF deferrals are needed in 2020–21, increasing by $3.4 billion to $5.3 billion in total apportionments deferred to 2021–22. The Newsom Administration proposes that a process be established for LEAs to seek an exemption from the 2020–21 apportionment deferrals if they create a documented hardship, similar to what was provided for some of the cash deferrals implemented during the Great Recession.

Flexibilities for LEAs

Recognizing the tremendous challenges LEAs face, the May Revision proposal attempts to balance the impact on public education stakeholders while maintaining the expectation that schools continue to make progress closing the achievement gap for students with disabilities, low-income students, English language learners, youth in foster care, and homeless youth. In order to balance these objectives, a number of proposed flexibilities are included in the Governor's May Revision and many will require statutory changes to be implemented. The major areas of flexibility are detailed below.

Fiscal flexibilities include:

- Exemptions for LEAs if apportionment deferrals create a documented hardship
- The authority for LEAs to exclude state pension payments on behalf of LEAs from the calculation of required contributions to routine restricted maintenance
- Increased limits on LEA internal inter-fund borrowing to help mitigate the impacts of apportionment deferrals, and the maximum limit of borrowing between funds would increase from 75% to a new temporary maximum of 85%—this practice would be subject to public hearing
- The authority to use proceeds from the sale of surplus property for one-time General Fund purposes
- An extension of the statutory timelines to address the annual LEA audit due to COVID-19

Programmatic flexibilities include:

- Options for specified special education staff to utilize technology-based options to serve students
- Extension of the deadline for transitional kindergarten teachers to obtain 24 college units of early childhood education, from August 1, 2020, to August 1, 2021
- Migrant Education Program: the ability to allow summer programs to be offered through distance learning for the 2020 calendar year; the instructional minutes requirement waived for summer school instruction in 2020 (LEAs are encouraged to offer the minimum number of minutes to the extent practical); suspension of the requirement that school districts, county offices of education, and community college districts make facilities available for migrant summer programs in 2020 if facilities are closed due to COVID-19

While acknowledging the proposed flexibilities are not comprehensive or exhaustive, the administration states its openness to explore expanded flexibilities to protect core services and minimize the impact on students due to reduced funding.

Special Education

Despite the dire economic circumstances, the Governor maintains a commitment to special education and improving outcomes of students with disabilities. The proposed May Revision continues the Governor's January Budget proposal to increase special education base rates to $645 per student (reflects suspension of the COLA). The current statewide target rate (STR) is $557.27 so the increase per student for those LEAs receiving the average STR will be $87.73 (15.74% increase). With the suspension of the COLA, those LEAs funded above $645 per ADA would not receive an increase. As in January, the proposal would apportion this base funding on a three-year rolling average of LEA ADA (but still allocated to Special Education Local Plan Areas) and would maintain the current funding model's categorical programs until a later date.

The May Revision also includes $15 million in federal Individuals with Disabilities Education Act (IDEA) funds for the Golden State Teacher Scholarship Program to increase the number of fully-prepared special education teachers in the state (this has been a long-standing shortage area).

The Governor also proposes to utilize $7 million in IDEA funds to assist LEAs in developing regional alternative dispute resolution services and statewide mediation services for cases arising from the pandemic and distance learning service delivery for students with disabilities.

The two workgroups to study current governance and accountability structures for special education service delivery and student outcomes remain in the budget but the $1.1 million in funding was transferred from Proposition 98 to IDEA funding. In addition, $600,000 in federal IDEA funds are proposed for a work group to study out-of-home care funding to better align with existing provisions to provide the service and to develop an Individualized Education Program addendum for distance learning.

CalSTRS and CalPERS Relief

In times of plenty, the 2019–20 State Budget included $3.15 billion non-Proposition 98 General Fund payment on K–14 employers' behalf to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) Schools Pool. A portion of the payment immediately paid down the CalSTRS and CalPERS employer contribution rates in 2019–20 and 2020–21 and the remaining $2.3 billion was sent directly to the retirement systems towards the long-term unfunded liability of each system.

Instead, the Newsom Administration proposes to redirect that $2.3 billion to further reduce employer contribution rates in 2020–21 and 2021–22. This reallocation of the same resources will reduce the CalSTRS employer rate from 18.4% to approximately 16.15% in 2020–21 and from 18.2% to 16.02% in 2021–22. The

CalPERS employer contribution rate will be reduced from CalPERS recently set rate for 2020–21 of 22.68% to 20.7% and CalPERS 2021–22 estimated rate of 24.6% to 22.84%.

Investing Federal CARES Act Funds

The Governor proposes to use discretionary federal funds available through the CARES Act to address learning loss related to COVID-19 school closures. California is receiving $355 million total in the Governor’s Emergency Education Relief (GEER) Fund which must be used for LEAs, higher education, or other education related entities to address the impact the coronavirus pandemic has had on students and families. The state also is receiving $9.5 billion total in the Coronavirus Relief Fund (CRF), which can be used more broadly for any necessary expenditures incurred because of COVID-19.

The Governor proposes to use the $355 million of GEER funds and $4 billion of the CRF money to invest $4.4 billion total for LEAs to mitigate learning loss. Funds will be allocated to LEAs using a formula that considers the number of students with disabilities, low-income students, English learners, youth in foster care, and homeless youth served by the LEA. These funds may be used for the following activities:

- Extending the instructional school year by implementing an earlier start date or increasing the number of instructional minutes or days
- Providing additional academic services for students, such as diagnostic assessments of student learning needs, or devices and connectivity for in-classroom and distance learning
- Learning supports that begin prior to the start of the school year, and continuing into the school year
- Student supports to address other barriers to learning, such as health, counseling, or mental health services; professional development in distance-learning for teachers and parents; access to school breakfast and lunch programs; or programs to address student trauma and social-emotional learning.

In addition, the Governor also unveils in the May Revision proposal how he proposes to invest approximately $165 million that the state is receiving in federal Elementary and Secondary School Emergency Relief (ESSER) funds, also through the CARES Act. Grants totaling $100 million will go to county offices of education for the purpose of developing networks of community schools and coordinating health, mental health, and social service supports for high-needs students. $63.2 million will be used to provide training and professional development for educators that is focused on closing opportunity gaps, addressing trauma-related health and mental health barriers to learning, and developing strategies to support necessary changes in the educational program, such as distance learning and social distancing. The remaining $1.5 million of the state-level ESSER funds will be provided to the CDE for state operations associated with the COVID-19 pandemic.

Categorical Cuts

The May Revision proposes savings totaling $352.9 million by reducing funding for various categorical programs. If federal funds materialize, then these cuts may be reversed. Funding for the following programs will be reduced by the following amounts:

- After School Education and Safety: $100 million
- K–12 Strong Workforce Program: $79.4 million
- Career Technical Education Incentive Grant Program: $77.4 million
- Adult Education Block Grant: $66.7 million
- California Partnership Academies: $9.4 million
- Career Technical Education Initiative: $7.7 million
- Exploratorium: $3.5 million
- Online Resource Subscriptions for Schools: $3 million
- Specialized Secondary Program: $2.4 million
- Agricultural Career Technical Education Incentive Grant: $2.1 million
- Clean Technology Partnership: $1.3 million

Early Childhood

A hallmark of the Newsom campaign to the Governor's office, early childhood continues to be a priority in the May Revision proposal; however, even it is not spared from having to absorb its fair share of cuts to help the state address the budget deficit. Similar to other January proposals, Governor Newsom pulls back on some of the investments he planned for childcare and preschool programs when the state expected a State Budget surplus. This included funding additional child care slots and inching ever closer to achieving universal targeted preschool in California. Additionally, the May Revision proposal captures savings from programs that were funded in the 2019 Budget Act like funding for improving the quality of the workforce and the renovation of existing, as well as the construction of new, preschool and child care facilities to house anticipated growth.

After multiple years of increasing the reimbursement rates for state subsidized child development programs, the May Revision proposes to suspend the statutory 2.31% COLA and reduce the Standard Reimbursement and Regional Market Rates for child care and preschool by 10%.

You may recall that Governor Newsom proposed the creation of a new Department of Early Childhood under the California Health and Human Services Agency to consolidate all child development programs except the State Preschool Program. Given the resources necessary to create the new department, the May Revision proposal modifies that plan and instead proposes to transfer child care programs administered by the Department of Education to the Department of Social Services and funds the transfer with $2 million in state general funds. The Governor offers that this modified proposal achieves the goal of consolidating the state's early care programs and eases the administration of collective bargaining for family childcare providers with the passage of Assembly Bill 378 (Chapter 385, 2019).

Finally, the May Revision proposes to use the $350 million California received from the federal CARES Act for child care to hold providers harmless as a result of COVID-19, provide one-time stipends for state-subsidized childcare providers to offer care during the COVID-19 crisis, increase access for at-risk children and children of essential workers, and to ensure that families do not have to pay childcare and/or preschool fees during such difficult times.

Closing Thoughts

The Governor's May Revision is the Administration's response to the economic shutdown caused by the COVID-19 pandemic. We predict that unlike the prior year and many of the years during the Governor Brown era that not all issues will be resolved by the end of June when the State Budget is enacted. With the delay of the income tax filing deadline from April to July, the final adjustments for the 2020–21 State Budget might not be known until August or September.

LEAs should prepare their 2020–21 budgets using the assumptions in the May Revision as the building blocks for the district budget. We do not expect every assumption in the May Revision to hold true until State Budget adoption. But, in the absence of any other statutory foundation for the local agency budget, we continue to recommend that districts use the proposals in the May Revision to develop and adopt their budgets in June.

This year, because the Governor is proposing cash deferrals similar to those used during the Great Recession, we expect that many more districts will have cash flow problems. This is particularly true if the district, using the Governor's January State Budget proposals, already had a less-than-positive certification. We recommend that districts plan to recalculate their multiyear projections immediately upon receipt of our updated Dartboard, which will be included in the May Revision Workshop materials on May 19.

Like we commented in an editorial written during the Great Recession, "remember that the only safety nets a district has are its cash reserves and the knowledge and skill of its business people." It is too early to spend down the reserve; in fact, we recommend you hang on to all you can—at least until the State Budget is actually adopted.

As the journey to the final 2020–21 State Budget continues, we pledge to keep you informed along the way. Many of you carry the wisdom acquired during the last financial crisis and we encourage you to share your knowledge with those who will be dealing with it for the first time. For those of you that this is your maiden journey, we encourage you to seek out the counsel from those who travelled before you. We will "see you" at the School Finance and Management Conference in July!

Click Here for COVID-19 Related Resources

FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

HEROES Act Faces an Uphill Battle in the Senate

BY KYLE HYLAND

posted May 26, 2020

On Friday, May 15, 2020, the U.S. House of Representatives approved a $3 trillion stimulus package dubbed the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, which is a follow-up COVID-19 relief package to the $2.2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act that was signed by President Donald Trump in late March (see "$2.2 Trillion Federal Stimulus Package for COVID-19 Signed Into Law" in the March 2020 *Fiscal Report*). The HEROES Act includes additional state and local aid, another round of direct payments to Americans, pay raises for front-line workers, and an extension of the $600-per-week unemployment compensation until January 2021.

For education, the HEROES Act creates a $90 billion State Fiscal Stabilization Fund for the U.S. Department of Education to distribute to states for K–12 and higher education. About 65% (approximately $58 billion) is earmarked for K–12 education, which would be passed through states to local educational agencies for grants that would provide similar flexibility as those allocated under the Elementary and Secondary School Emergency Relief (ESSER) fund from the CARES Act. The legislation also includes $1.5 billion to help schools and libraries provide internet services through an Emergency Connectivity Fund at the Federal Communications Commission and over $10 billion to provide services for families and children through various programs including child care.

While the bill passed the House, it faces an uphill battle in the Republican controlled Senate and from the Trump Administration. Senate Majority Leader Mitch McConnell (R-Kentucky) has called for a pause in any new relief funding for states and local governments, while the White House issued a veto warning to the House of Representatives that if the HEROES Act were presented to the president, his advisors would recommend him to veto the measure. However, Senator McConnell did say that discussions for another COVID-19 relief bill could take place in June, but the priorities would look significantly different from the HEROES Act.

Governor Gavin Newsom is pinning a lot of hope on additional federal relief in order to prevent the state from needing to significantly reduce programs and spending to balance the 2020–21 State Budget. In fact, the May Revision includes a mechanism that would "trigger off" reductions if the federal government provides sufficient funding to backfill the proposed cuts.

At a recent budget subcommittee hearing (see "Legislature Begins to Vet Governor Newsom's May Revision" in the May 2020 *Fiscal Report*), a number of legislators pressed the Department of Finance (DOF) on what the Governor's alternative plan is if the federal government does not come through with additional aid. The DOF conceded that while they are open to discussing other ways the state can generate revenue to prevent these proposed cuts, they do not have any other plans aside from what's detailed in the May Revision.

There has been some speculation that the Legislature may look to try and approve a bill to put an initiative before voters on the November ballot to raise additional revenue for education; however, the Legislature only has until June 25 to move a bill through the legislative process and qualify an initiative for the November 3 General Election. Another less feasible option that the Legislature has is to levy taxes, which requires a two-thirds vote. While the Democrats have the supermajority required to raise taxes, it is doubtful that many moderate Democrats would support such a proposal, especially after Senator Josh Newman was recalled by voters in 2018 for his support of Senate Bill 1 (Chapter 5/2017), which raised the state's gas and diesel taxes.

While we do not know if there will be another federal stimulus package or a legislative attempt to raise revenue via a ballot initiative or tax, it looks as though the Legislature will explore whatever options they can to prevent significant reductions to the State Budget.

Click Here for COVID-19 Related Resources

FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

$2.2 Trillion Federal Stimulus Package for COVID-19 Signed Into Law

BY LEILANI AGUINALDO
BY KYLE HYLAND

posted March 27, 2020

A federal stimulus package, which seeks to provide some relief during the COVID-19 pandemic was adopted by the federal government this week. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) is a $2.2 trillion package that provides billions of dollars to struggling industries, boosts unemployment insurance, and provides cash payments directly to Americans. The stimulus package also earmarks approximately $31 billion for K–12 and higher education assistance and over $4 billion for childcare and early education programs.

Some of the biggest items for K–12 education and early education include the following:

- $13.5 billion in the Education Stabilization Fund, which will be distributed to states based on their state-level Title I allocation. States will pass through 90% of the funds to school districts and charter schools using the Title I formula. Funds can be used for coronavirus-response activities such as purchasing educational technology to support online learning, sanitation supplies, or mental health services, as well as additional activities authorized by federal elementary and secondary education laws (e.g., Elementary and Secondary Education Act [ESEA], Individuals with Disabilities Education Act [IDEA], Carl D. Perkins Career and Technical Education Act, or McKinney-Vento Homeless Assistance Act). Districts that receive money from this fund "shall to the greatest extent practicable, continue to pay its employees and contractors during the period of any disruptions or closures related to coronavirus."
- $3 billion for governors to spend on K–12 or higher education in regions that have been hit hardest by the coronavirus. Governors in each state will receive a share of this funding to allocate at their discretion for emergency grants to support the ability of local educational agencies to continue to provide educational services to their students and to support on-going district operations.
- $8.8 billion for child nutrition programs to help ensure students receive meals while schools are closed.
- $3.5 billion for Child Care & Development Block Grants, which provide childcare subsidies to low-income families and can be used to augment state and local systems.
- $750 million for Head Start early education programs.
- $100 million in Project School Emergency Response to Violence grants to help clean and disinfect schools, and provide support for mental health services and distance learning.

- $5 million for health departments to provide guidance on cleaning and disinfecting schools and daycare facilities.

To ensure that states are using funding earmarked in the Education Stabilization Fund to supplement and not supplant state funding, states have to agree that funding provided in fiscal years 2021 and 2022 is at least the same as the average spent on education over the prior three fiscal years. However, the CARES Act gives U.S. Secretary of Education Betsy DeVos new authority to waive certain ESEA provisions, including this requirement to maintain a state's funding level.

The CARES Act also allows states to apply for waivers to freeze in place the schools identified as needing additional assistance under the Every Student Succeeds Act (ESSA). Under this waiver, schools identified for comprehensive support and improvement, targeted support and improvement, or additional targeted support in the 2019–20 school year would maintain that designation in the 2020–21 school year and continue to receive supports and interventions.

States also may seek to waive several other funding mandates under ESSA, including increasing the amount of carryover of Title I funds from the current year to the next.

Within 30 days of the stimulus package becoming law, Secretary DeVos is required to report to Congress on any additional waivers that may be necessary from the IDEA, ESSA, the Rehabilitation Act, and the Carl D. Perkins Career and Technical Education Act, in order to provide schools with "limited flexibility."

Click Here for COVID-19 Related Resources

FISCAL REPORT

Legislature Begins to Vet Governor Newsom's May Revision

BY KYLE HYLAND

posted May 21, 2020

Now that Governor Gavin Newsom has released the May Revision, the Legislature can begin vetting his revised proposals and highlight their own budget priorities as they prepare to build and pass the 2020–21 State Budget by the June 15 constitutional deadline.

On Monday afternoon, the Assembly Budget Subcommittee on Education Finance met to discuss the Governor's education proposals, including the significant reductions that are being proposed in order to balance the budget. The hearing included testimony from the Department of Finance (DOF), the Legislative Analyst's Office (LAO), and the California Department of Education.

While sympathetic to the difficult decisions that the Newsom Administration had to make in crafting the May Revision due to the recession caused by COVID-19, the subcommittee members were critical of a number of the Governor's education proposals and the lack of an alternative strategy to generate state revenue if the federal government does not approve another stimulus package that provides additional financial assistance.

Learning Loss Mitigation

Perhaps the sharpest critique was aimed at the Administration's allocation formula for its proposal to use $4.4 billion in federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to mitigate learning loss. Trailer bill language stipulates that $1.5 billion would be allocated to local educational agencies (LEAs) based on their students with disabilities population and the other $2.9 billion would be made available to LEAs that receive Local Control Funding Formula (LCFF) concentration grants that would be distributed based on total average daily attendance (ADA). This latter proposal drew heavy criticism.

Assemblymember Al Muratsuchi (D-Torrance) called out the inequities of the proposed formula in that non-concentration grant school districts would be ineligible for nearly $3 billion of this funding. He coupled his argument with the fact that California will also receive $1.65 billion in CARES Act funding via the Elementary and Secondary School Emergency Relief (ESSER) fund, of which 90% (or $1.5 billion) is required to be distributed to LEAs based on their Title I, Part A allocation, meaning that many of the same LEAs that will receive little to no relief from the ESSER fund will also be shut out of the $2.9 billion for learning loss mitigation. He emphasized that all school districts are hurting and need to be included in the education proposals of this "survival budget."

The LAO also expressed concerns with the proposed formula by providing a hypothetical scenario of two LEAs with a similar unduplicated pupil percentage (UPP), but one is just above the 55% UPP threshold to generate LCFF concentration grant funding while the other is just below that threshold. Based on the way the current formula is written, the first LEA would receive a portion of that $2.9 billion for all of its students (based on ADA) because it qualifies for concentration grants, but the other LEA would not be eligible for any of that funding even though it serves a similar number of English leaner, low-income, and foster youth students.

Special Education

Assemblymembers Jose Medina (D-Riverside) and Monique Limon (D-Santa Barbara) expressed their gratitude that the Governor sustained his January proposal to increase the special education base rates to $645 per pupil. However, the members also encouraged the Administration to maintain the existing AB 602 formula rather than transitioning to a new allocation formula in the midst of the COVID-19 pandemic. The DOF responded that the only significant difference between the AB 602 formula and the way they are proposing to allocate special education dollars in fiscal year 2020–21 is that the base rates will be apportioned based on a three-year rolling average of an LEA's ADA. Additionally, the DOF said that they will not make any more significant alterations to special education until after the completion of two work groups that will look at the current governance and accountability structure and then provide recommendations to improve accountability for special education service delivery and student outcomes.

Categorical Funding and Flexibility for School Districts

Assemblymembers Patrick O'Donnell (D-Long Beach) and James Gallagher (R-Yuba City) highlighted some of the significant reductions proposed to the state's remaining categorical programs including a 52% reduction in Career Technical Education Incentive Grant and K–12 Strong Workforce Program funding and a $100 million reduction to the After School Education and Safety program. Assemblymember Gallagher confirmed with the DOF that the state has a high level of flexibility in how they choose to expend their CARES Act dollars and suggested the Legislature could reallocate some of the $4.4 billion from the learning loss mitigation proposal to these categorical programs that the Administration is proposing to reduce.

Assemblymembers O'Donnell and Muratsuchi also agreed that the state needs to provide LEAs certain flexibilities in terms of the 180-day school year and instructional minutes. Assemblymember O'Donnell floated the idea of providing school districts flexibility to implement a blended school schedule that would incorporate both in-person and distance learning to help reduce the number of students on campus at a given time. These conversations will likely intensify as the state looks to provide guidance on how schools can safely reopen their doors next school year.

Reliance on Federal Assistance

Subcommittee chairman Kevin McCarty (D-Sacramento) wanted to know what the Administration's "plan B" is if the federal government does not provide more funding to states and local governments. The DOF conceded that while they are open to discussing other ways the state can generate revenue to prevent these proposed cuts, they do not have any other plans aside from what's detailed in the May Revision. Assemblymember McCarty said that the state needs to formulate another plan in case the federal government does not come through. He floated the idea of the Legislature pulling together a ballot initiative for November to try and raise money for education; however, the Legislature only has until June 25 to get a proposal through the legislative process to qualify it for the November election.

Next Steps

Due to COVID-19, the Assembly and Senate will likely hold less budget subcommittee hearings than past years to publicly vet the May Revision and present their own budget priorities. However, in the next couple of weeks, each house will have to approve their own version of the State Budget and then go to Budget Conference Committee where they will reconcile their differences and also work with the Newsom Administration on a budget agreement. Once the Legislature reaches a compromise on the 2020–21 State Budget Act, each house will need to approve the budget bill by June 15. The Governor will then have 12 days to sign the budget bill as presented, approve the budget bill with line-item reductions, or veto the budget bill and send it back to the Legislature.

From: Laura Ford <laurasimonford@gmail.com>
Sent: Sunday, May 24, 2020 7:48 AM
To: Financial Oversight Committee <foc@smmusd.org>; Seth Jacobson <seth@jcipr.com>
Cc: Board of Education <brd@smmusd.org>; Kean, Jon <jkean@smmusd.org>; Lieberman, Laurie <llieberman@smmusd.org>; Canady, Melody <mcanady@smmusd.org>; Cruz, Gerardo <gcruz@smmusd.org>; Pinsker, Gail <gpinsker@smmusd.org>
Subject: FOC approval of Measure R 2018-19 audit

Dear Financial Oversight Committee,

Below are some more questions for the next FOC meeting on 6/11:

1. Did you vote to recommend the SMMUSD Board of Education accept the Measure R 2018-19 audit by Moss, Levy & Hartzheim dated January 23, 2020?

- If so, when? This vote does not appear in FOC agenda minutes. Based on previous voting records, the FOC votes to approve Measure R audits in February or March of each year.

- If not, when will you vote to recommend the SMMUSD Board of Education accept the Measure R 2018-19 audit?

4. Has the SMMUSD Board of Education voted to approve the Measure R 2018-19 audit by Moss, Levy & Hartzheim dated January 23, 2020?

- If so, when? This vote does not appear in BOE agenda minutes. Last year, the SMMUSD Board of Education voted to approve the Measure R 2017-18 audit on March 21, 2019.

- If not, when will the SMMUSD Board of Education vote to approve the Measure R 2018-19 audit?

Thank you.

Sincerely,

Laura Ford

From: Laura Ford <laurasimonford@gmail.com>
Sent: Saturday, May 23, 2020 4:53 PM
To: Financial Oversight Committee <foc@smmusd.org>; Seth Jacobson <seth@jcipr.com>
Cc: Board of Education <brd@smmusd.org>; Kean, Jon <jkean@smmusd.org>; Lieberman, Laurie <llieberman@smmusd.org>; Canady, Melody <mcanady@smmusd.org>; Cruz, Gerardo <gcruz@smmusd.org>; Pinsker, Gail <gpinsker@smmusd.org>
Subject: Measure R Questions for FOC Meeting 6/11

Dear Financial Oversight Committee,

Would you kindly answer the following questions at the next FOC meeting on 6/11?

1. Why didn't the SMMUSD Board of Education and/or the FOC set up an "Independent Citizens Oversight Committee" as per the law of Measure R?

A. All SMMUSD Bond Measures have separate citizen oversight committees as per the law.
B. Other school districts set up specific citizen oversight committees for and only for parcel tax oversight as per the law (Pasadena, Manhattan Beach, Dublin, etc.)
C. The fact you do not have a specific "Independent Citizens Oversight Committee" as per the law of Measure R is a violation of the law.

2. Why did you not audit all $12,359,440 of Measure R monies in the 2018-19 Measure R audit report? (link is attached below)

A. Per Partner Hadley Y. Hui of Moss, Levy & Hartzheim and the 18-19 audit, "Total Measure "R" Revenues Spent" is $6,450,841
B. Per Hui, $6,450,841 is the total amount of Measure R expenditures that SMMUSD sent to Moss, Levy & Hartzheim.
C. Per Hui and the audit, the remaining balance of Measure R revenues is $5,908,599.
D. Per Hui and the audit, the remaining balance of $5,908,599 is called "Balance Used to Preserve Programs and Replace Funds Lost Due to Inadequate State Funding". Call it what you will but per Hui and the audit, $5,908,599 is the remaining balance.
E. Per Hui, he did not receive Measure R expenditures for this remaining balance ($5,908,599) so he can not account for their use or non-use.
F. Hui does not purport to know if or how these monies were used as SMMUSD didn't report it.
G. Per Measure R, all monies should be accounted for.

I. Where is the remaining balance of $5,908,599 of Measure R revenue from 2018-19?

3. Per the FOC meeting, Seth Jacobson said that the remaining Measure R balance goes into the General Fund. On a 5/6 phone call with Ms. Canady, Ms. Canady said that the remaining Measure R balance goes into the bottom line of the General Fund.

A. You have not provided an itemization nor an audit for these remaining monies and per Jacobson and Canady, these monies were put in the bottom line of the General Fund; therefore how can you say that all Measure R monies went toward Measure R expenses?

Let's look at the math:

- 64% of the General Fund goes toward teacher salaries and benefits
- 83% of the General Fund goes toward staff salaries and benefits.
- Therefore 19% of Measure R monies in the 2018-19 General Fund goes toward non-teacher positions (i.e. administrators, assistants, etc.) This is a violation of Measure R.
- As for the remaining 17% of Measure R monies in the General Fund, the public doesn't know what it was used for. This is also a violation of Measure R.
- The fact that you have not itemized, reported or audited the remaining monies ($5,908,599) is a violation of Measure R.

4. Misfeasance, malfeasance or fraud?

- The Santa Cruz Grand Jury determined that parcel tax funds should supplement versus supplant school programs and that using monies intended for one school program for another school program "'is a form of fraud'". (Santa Cruz County Grand Jury Final Report 2014-2015)

- In investigating parcel tax exemptions, the Santa Clara Civil Grand Jury determined: "(f)ailure of a school board to follow the law can be considered misfeasance, or potentially malfeasance, in office." (2016-17 Civil Grand Jury Report Follow-Ups)

- The Alameda County Grand Jury determined: "Monies from the (parcel) tax are not to be used for general education, but for the specific educational purposes listed in the measure" (Alameda County Grand Jury Final Report 2014-2015.)

5. I have reported the information above to LACOE, the Los Angeles County Civil Grand Jury, and the California State Auditor, and I am working with a State Senator (not Ben Allen) to look into this matter.

My last question to you is do you want to be tied into this? I urge you to do your research and come clean.

Sincerely,

Laura Ford

MEASURE R AUDIT
REPORT: https://www.smmusd.org/cms/lib/CA50000164/Centricity/Domain/300/FinReports/MeasureRAuditReport1819.pdf

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT NEWS RELEASE

MEDIA CONTACT: Gail Pinsker
310.450.8338, ext. 70230
gpinsker@smmusd.org

FOR IMMEDIATE RELEASE
May 26, 2020

SMMUSD Financial Oversight Committee Accepting Applications

The Santa Monica-Malibu Unified School District's Financial Oversight Committee (FOC) is seeking qualified candidates who will bring a depth of business and/or financial expertise to the committee. There are four (4) upcoming vacancies with terms beginning July 1, 2020. The committee will consider those who applied within the last year to fill the vacancies as well as the two (2) incumbents who expressed interest in continuing to serve on the committee.

FOC meetings are currently scheduled at the District Office at 7 p.m. in the Testing Room, unless otherwise noted, or changed to online meetings based on protocols in the fall. Following is the schedule of meetings (subject to change) for the 2020-21 school year:

- Wednesday, September 9, 2020
- Thursday, October 8, 2020 – Malibu City Hall, Multipurpose Room
- Thursday, November 12, 2020
- Thursday, December 3, 2020
- Thursday, January 7, 2021
- Thursday, February 11, 2021
- Tuesday, March 11, 2021– Malibu City Hall, Multipurpose Room
- Thursday, April 15, 2021
- Wednesday, May 12, 2021
- Thursday, June 10, 2021
- TBD (July 2021) * Please note: This is a Joint Meeting / Study Session with the Board of Education - *SMMUSD District Office Board Room, 1651 16th Street.*

FOC application forms are available via the District's website: https://www.smmusd.org/cms/lib/CA50000164/Centricity/Domain/300/FOCApplication.pdf and can be scanned and emailed to foc@smmusd.org. The deadline for applications is **Tuesday, June 23, 2020.**

# # #