



## BUSINESS SERVICES COUNCIL

Wednesday, May 24, 2023  
10:00 AM – 2:00 PM

**ACSA Sacramento Office**  
1029 J Street, Sacramento, CA 95814  
3rd Floor Conference Room

## Ruben Hernandez, Council President

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### AGENDA

**I. Welcome & Introductions (10:00 AM)**

*Ruben Hernandez, Business Services Council President*

Attendees: Megan Baier, Yuri Calderon, Lisa Davis, Kevin Franklin, Annette Heldman, Vivian Hamilton, Penni Harbauer, Ruben Hernandez, Kraig Magusson, Sean Martin, Tim McClellan, Sheldon Smith, Ron Tanimura, Raenel Toste, Kristy Tchamourian, Andrea Viscovich, and Eric Vreeman

**II. Council Business (10:05 AM)**

*Ruben Hernandez, Business Services Council President*

- A. [Approval of Prior Minutes](#) – Sheldon, Sean, approved
- B. 2023-24 Meeting Dates

**III. Partner Presentation: Evolv Technology (10:10 AM)**

*Justin Bryant, Director of Evolv Technology*

Mr. Bryant described the weapon-detecting technology that his company has developed, which is designed to scan and screen visitors. Their product is being used in 400 schools and many other venues. His presentation will be made available to BSC members (though he asked that it not be shared outside of the group).

**IV. Governor's May Revision & Legislative Update (10:20 AM)**

*Megan Baier, ACSA Legislative Advocate*

There is a wide divide between the revenue forecasts being used by the legislature and those being used by the Governor and between those forecasts and the forecast from the Legislative Analyst's Office. (The LAO advises the legislature but is independent, and the legislature is not bound by the LAO's statements.) The LAO's forecast is much worse than the Governor's, which is informed by the Department of Finance; there is an \$11B difference, which results in a \$4B difference for Proposition 98. The final budget will likely be based on the DOF's numbers, though the Senate is even more optimistic in its revenue projections. The Senate took the LAO's property tax revenue figures, which were higher than the DOF's, and combined these with the DOF's PIT and other tax revenue figures; this

gave the Senate \$2B in additional revenue above the figures the Governor used in the May Revision. Negotiations are ongoing; if there is no agreement, it is likely that the legislature will pass a placeholder budget that meets the statutory requirements but does not provide all of the details, and the parties will continue to negotiate into the summer. The Conference Committee has not convened since the pandemic, and it is not anticipated that it will be brought back.

ACSA has met with Senator John Laird, who said that the Senate and the Assembly are not far apart in their negotiations. The Senate has adopted full funding of the 8.22% COLA. Because the Senate is assuming higher revenue estimates than the Governor, they are able to fund the COLA using more ongoing dollars; in their proposal, only \$600M of the \$4.2B for COLA is based on one-time funding. This approach will only be effective if the revenue projections that they are utilizing materialize. The Senate has also fully restored the Arts Music Instructional Materials Discretionary Block Grant and restored \$2B of the proposed reduction to the Learning Recovery Emergency Block Grant (so the cut would be only \$0.5B). Implementing a change to the LREBG will require a two-thirds approval vote due to the restrictions of COVID funds.

While the administration was initially hesitant to weigh in on Proposition 28 (due to the threat of litigation) there have been many questions from the field that have unveiled fundamental flaws in the mechanics, and it has become apparent that clean-up language is necessary. Adopting this language will also require a two-thirds approval vote. Both LREBG and Prop 28 will be handled in a separate trailer bill.

There are many questions and concerns related to Proposition 28. CDE was initially putting out guidance, but the guidance has now been pulled back and new guidance will not be issued until the legislative process is complete. There are concerns about the supplement/supplant language. It is clear that pooling is acceptable, meaning that school resources can be pooled to hire a full district-wide position, for instance, though the position should be assigned proportionately based on the funding generated by each site. Historically, “funds” in state law has been interpreted to refer to government funds only, but it’s not clear whether this will remain the same in this case, nor whether districts that used one-time relief funds will be allowed to exempt those expenditures from their baseline calculations. Small school districts may have challenges because they may not receive sufficient funds to implement any significant programmatic increases. There are rumors that the first allocations of these funds may not go out until January. The requirement to spend 80% on staff is not restricted to certificated staff, nor does it need to be used during the regular school day. ACSA’s advice is to spend as conservatively as possible knowing that the rules will change over the next several months. There may be an ability to apply for waivers to the 80/20 split for schools if schools/districts have plans that might make a case for a different distribution – for instance, to develop infrastructure to support new programs. There is conversation about creating expenditure templates, but templates cannot be developed or released until the language is clarified. There is a trailer bill proposal to allow a district to submit a waiver request for the 80/20 rather than requiring it to be submitted by the principal from the site level. Each site has to approve its own plan, but the District retains budgetary authority. It is unclear what site approval means – this may be best done

by a school site council, but this will need to be further explored. Districts are cautioned that if revenues shrink, Proposition 98 will shrink, and Proposition 28 allocations will shrink. SSC's Proposition 28 allocation estimates are based on the Governor's revenue projections (see above). A question was asked about whether this funding considered categorical and whether personnel funded by Proposition 28 would be subject to March 15 layoff notification requirements. It was suggested that the funds may be considered restricted categorical funds but that the layoff window exemption may not apply. The Senate appears to be an ally to ACSA in looking at the implementation challenges. The Assembly has aligned with Austin Buetner, who is pushing for booster funds and other local dollars to be included in the baseline calculations of expenditures that can't be supplanted. Districts should anticipate that the clarifying language will come out late and that there will be changes.

Budget and trailer bill language can continue to evolve even after enactment. The process should not be considered to be complete until the legislature closes its session in August.

The Senate has extended the implementation of TK certification requirements by one more year, has adopted the equity multiplier, and has adopted the Governor's changes to the LCAP. They also include universal screening – it is different from Senator Portantino's bill in that the screening is not just for dyslexia but for "reading difficulties." Implementation will be set for 2025-2026. It is not anticipated that this will be removed. Many districts' existing screening tools (e.g., DIBELS) will likely be acceptable.

If a revenue issue emerges after October revenue figures come in, the legislature will need to take action to respond. BASC has discussed the potential of deferrals that might be approved in October and implemented in January. The feeling is that most districts would be able to handle this due to their higher-than-normal reserve levels.

The LAO thinks the state can afford a 5% COLA.

A legislative topic is emerging because the California Air Resources Board has adopted aggressive 0-emission rules for local governments. There are no requirements placed on school buses, though in 2035 manufacturers will no longer be able to manufacture diesel buses in CA. However, before that, regulations will go into place regarding requirements for cars, and these rules will apply to Districts' white fleets. There is also a proposal in the legislature sponsored by Assemblymember Ting that would prohibit the purchase of diesel buses by schools.

ACSA is opposing Senate Bill 88, which would require anyone driving students for compensation (school staff and contractors) to get a medical exam, 12 hours of training, fingerprinting, a records check, TB testing, and drug testing. This would apply to parent transportation if they are compensated for driving students due to the requirements of their child's IEP. Essentially, the bill imposes many bus driver requirements on people driving regular passenger vehicles. ACSA has a coalition working to oppose this bill and is looking for districts to join. The bill has flown through Senate, and ACSA is hoping to slow it down in the Assembly. There is an advocacy letter that will be shared with BSC member.

**V. Expanded Learning Opportunities Program (11:00 AM)**

*Michael Funk, Director, CDE Expanded Learning Division*

*Kraig Magnussen, ACSA Region 9 Representative, Kerman USD*

CDE has been in negotiations with Community Care Licensing and the Department of Social Services to discuss safety requirements for TK/K students. As a result of these negotiations, TK/K programs funded by ELOP, ASES, or 21<sup>st</sup> Century funds will be license exempt. One of the challenges was that, while licensure, specifically an individual employee blows their background clearance notifications go to the state, under ELO-P notifications will come to LEAs and employers. This has been accepted. In addition, if a program is run by a 3<sup>rd</sup> party – Parks and Rec programs, etc., - and the program runs on a school campus, it is also license exempt. If an issue arises, there is a requirement for communication between the 3<sup>rd</sup> party and the district, as well as a phone number for parents to use to communicate about these issues. If a TK/K program is located off campus, it must be licensed. The governor proposes to extend the June 2023 expenditure deadline for 2021-2022 funds to June 30, 2024. CDE has advocated for the deadline to be an encumbrance deadline rather than an expenditure deadline. There are strong signals that this program will not be cut and that districts will be given more time to spend funds.

Kerman Unified has an 88% UPP. They have used their ELO-P funds to expand summer school to be 25 days long, and they are also holding 5 Saturday sessions. They are paying time-and-a-half to their staff. The day is structured to provide academic instruction in the morning and enrichment in the afternoon. They are offering employment opportunities to high school students. They are also offering a Music/Arts camp staffed by secondary teachers who are running programs in ceramics, music, movement, costume design, and more. ELO-P funds are allowing Kerman to expand their programming to the secondary level as well. They are providing opportunities for students to visit Fresno State, offering tutoring before and after school, and meeting many other needs.

The program is intended to be flexible – the mantra is, “if it doesn’t say you can’t, you can.”

A question was asked about whether time on a bus could be included in the 9-hour day requirement. To answer this, the LEA should consider whether there is staff on the bus who meet the requirements, whether there is sufficient staff on the bus to maintain the ratio, and what students are doing while they are on the bus that meets the requirements of the program. If an LEA wishes to purchase items that will also be used during the school day, it would be wise to cost share in this purchase. Districts may consider adjusting minimum employment requirements in order to support the employment of parents or high school students. For example, it was suggested, a school board could adopt a policy specific to standards for after-school staff, thereby maintaining a different standard for paraeducators working in classrooms during the school day. High school students may also provide support as a supplement to the 20:1 ratio.

Small school districts may struggle to meet the requirements of the program. One idea is to provide one-off field trips through these funds. There has been some advocacy to change

the minimum apportionment so that districts would receive at least \$100K instead of \$50K. CDE has been asked to assess the fiscal impact of implementing this idea. There is trailer bill that states that a district cannot be penalized for more money than it received, though a penalty against money that has been expended will still be difficult to address.

There was a question regarding recent SSC advice that the Audit Guide will include a requirement to verify that the LEA has developed a program plan following ASES statutory requirements. This is accurate. ASES requirements include a required academic element and a required enrichment requirement. An ASES plan must be written to meet established expanded learning quality standards – these are the centerpiece of an ASES application and are also part of the application for ELO-P. There is a link in the actual work plan template to a document from 2014 that lists all of the quality standards and what they look like when put into action; this can be used as the plan.

A question was asked about whether districts are required to provide Special Education support to students with IEPs during ELO-P time. There were divided opinions. LAUSD is taking the position that this is not required; other districts felt that while it may not be required to do so it should be done. Others believed it violated federal IDEA not to provide the IEP support. Special education support is not required for ASES and 21<sup>st</sup> Century programs. However, those programs are funded by grants to individual school sites, while ELO-P is an apportionment. CDE asked the Special Education team for guidance, and they declined. There are very brief statements in the FAQ's stating that students have rights under federal law and that districts should pay attention to these. It may come down to the definition of "access." There is no requirement to provide the services, but the question is whether not providing them prevents access to a program that must be offered. There is not a clear answer. Education Code states that districts who have a UPP of 75% above must offer ELO-P to all and provide access to any student whose parent or guardian requests it and that districts whose UPP is below 75% must offer ELO-P to all UPP students and provide access to any whose parent requests it. "Access" will have been provided if a district has a signed enrollment form – this is what the auditors will look for – but the question will be whether a district has truly provided access if it is not providing the supports. It is also important to note that while access is required, attendance is not. The attendance of the student is based on the family's needs – the auditor should not be looking at attendance.

## **VI. Lunch (12:00 PM)**

## **VII. Local Cost Pressures and Fiscal Solvency (12:20 PM)**

*Patti Herrera, Ed.D., Vice President, School Services of California*

*Danyel Conolley, Director, Management Consulting Services, School Services of California*

It is anticipated that the Assembly will take action on their budget tomorrow. It's unclear whether their action will mirror the Senate's. The goal of the Senate and the Assembly is to reach agreement on their legislation and then negotiate directly with the Governor. They don't want a public negotiations process; this makes it hard to for legislative advocates to advocate. There are some indications that the Assembly and Senate may be fairly far apart

at this time, but their goal is to complete the process this week.

Patti Herrera interviewed Ken Kappahn today; a fiscal report video will be posted this afternoon. The focus of their discussion was on the revenue estimates and their impact on the Proposition 98 guarantee. The LAO released their initial impressions of the May Revision and essentially said, "Whoa. The estimates are pretty optimistic. There is a 2/3 chance that revenue will be \$11B lower than this." If the LAO's revenue estimate were adopted – or if they come true – across both 22-23 and 23-24, the guarantee drops. Total revenue drops by \$8B in 22-23 and \$3B in 23-24, and the Proposition 98 guarantee drops by \$3B in 22-23 and \$1B in 23-24. (Not all state revenues are included in calculating the minimum guarantee) There are higher property taxes in LAO projection this would offset some of the drop. The LAO is not sure why the administration's property tax estimates are so low. The Senate adopted Governor's state general fund revenue estimates but adopted LAO's higher property tax revenue estimates. Regardless of where the budget lands, this will be the riskiest budget in a decade. The economy is so uncertain.

That the Governor is holding firm to his revenue estimates and will not accept a budget that includes anything other than what he put in his budget. At the end of the day, there is a Proposition 98 deficit. There is not enough money in the budget to pay for basic costs. Even with the Governor + LAO there is still a deficit. It is hard to believe that the state can avoid adjustments to the expenditure side of the ledger.

Many districts have been in a hiring mode. That will likely end this year. There has been significant pressure at negotiating tables. There has also been a shift in how bargaining works. In Sac City, LAUSD, and Oakland, the unions went around the impasse process directly to the Board. Lead negotiators and superintendents are often not particularly empowered in this environment. Districts feel like they are giving everything and getting nothing. Many discussions at the table are centered around contracted employees – there are some LEA's where more than half of their people are from agencies. This could jeopardize districts' funding.

Some districts are being able to do things at the beginning of the salary schedule to support the interns and emergency credentialed teachers who are often our new hires.

Mike Fine's advice is that districts should use their authority to committed funds build their reserves.

Should revenues not materialize, the state has often implemented deferrals, so another piece of advice is that districts should build their cash. A statement was made to the room that "approximately 100% of you are in a cash rich environment," followed by a comment that a deferral option is therefore the smart option for the legislature.

FCMAT also advises that districts should develop multiple Multi-Year Projections, showing realistic best case and worse case scenarios, along with something in between. Districts should maintain a higher than usual reserve, watch their enrollment closely, and watch their ADA every day. The ADA mitigation provisions are going to go away, and districts need to

prepare for that. And employee pension and benefit obligations will continue to grow.

October 16 revenues will not be known until mid-November. To implement mid-year deferrals, there would need to be a mid-year budget. With the holidays, the legislature would more likely wait until the January Budget to make adjustments. However, it is important to note that in the May Revise, the Governor highlighted that \$42B of the projected revenues (including 25% of PIT and over 30% of corporate taxes) are expected to come in October. This is a huge "blind spot." Capitol Advisors is also saying nothing will happen until January. SSC advice is not to incite panic – but to incite prudence. Predictions are that the recession won't be that sudden or that deep, so the state will have the tools to deal with it – and has tools it's never had before, including healthy state reserves.

A comment was made that labor unions are not paying attention to revenue; they're paying attention to inflation. In 2022-23, CTA's economic analyst told unions to ask for 13%. It will be interesting to see where they will go next.

Many districts are maintaining higher staffing levels than your enrollment – but in the current environment, it doesn't feel like they can get by with less. The traditional way to approach budget management – less students resulting in less money resulting in less people – doesn't work anymore. There are questions about how do we manage this. The time to start is now. Districts need to build in structures and systems for evaluating whether vacancies need to be filled and for evaluating whether staffing levels are appropriate.

Economists are projecting that the US could go into recession in the later part of 2023 or the early part of 2024. The UCLA Anderson Forecast currently projects that the recovery from a recession will be pretty quick – they are showing a V shaped recovery – and comment that Biden's infrastructure package will help to address jobs loss in a recession. SSC believes that California has the financial wherewithal to avoid deficitting the COLA and the LCFF. The state will first use deferrals, then use the reserves (and will use reserves only if the budget year guarantee is lower than the prior year guarantee and only by the amount needed to bring it up to the prior year's level). Even if there is a U shaped recovery, deferrals should get the state through; this would only become an issue in the event of an L shaped recovery.

### **VIII. Discussion of Arts & Music Block Grant: Plans, Best Practices, Etc. (1:20 PM)**

*Ruben Hernandez, Business Services Council President*

The group discussed plans for the use of AMIMDBG plans. Many districts have not yet put plans in place or started spending, others froze their spending once Proposition 28 passed, and even more did so once the January Budget came out. Some districts are using funds for infrastructure related costs – pensions, technology, etc.

**IX. Closing Thoughts: Actions & Takeaways (1:50 PM)**

*Ruben Hernandez, Business Services Council President*

Megan shared that it is difficult to know whether the Governor will hold to his current position related to revenue. His May Revision revenue estimates will result in denying health care to poor people and cutting residential services to home-bound individuals. There is risk if revenues don't materialize, but the flip side to that is making painful cuts now. There are three weeks left, and it will be important to wait to see what the Governor is saying that a week or two from now.

**X. Adjournment (2:00 PM)**

**2023-24 Meeting Dates**

<b>Date</b>	<b>Location</b>	<b>Time</b>
<b>October 18, 2023</b> Wednesday	<b>Business Services Council Meeting</b> Zoom	10AM-1PM
<b>February 28, 2024</b> Wednesday	<b>Business Services Council Meeting</b> <i>ACSA Sacramento Office</i> <i>1029 J St, 3<sup>rd</sup> Floor Conference Room #320</i> <i>Sacramento, CA 95814</i>	10AM-2PM
<b>May 29, 2024</b> Wednesday	<b>Business Services Council Meeting</b> <i>ACSA Sacramento Office</i> <i>1029 J St, 3<sup>rd</sup> Floor Conference Room #320</i> <i>Sacramento, CA 95814</i>	10AM-2PM