

The FISCAL REPORT 32 informational update

Copyright © 2010 School Services of California, Inc.

Volume 30

For Publication Date: September 24, 2010

No. 19

Federal Jobs Act Webcast Q & A

Approximately \$1.2 billion in federal jobs funding is on its way to California. Virtually all of this funding will be distributed to local educational agencies (LEAs) to spend towards salaries and benefits and other expenses associated with rehiring staff, retaining existing employees, and hiring new staff to provide educational related services. In short, there is a broad range of ways to use the funds, provided that it is used towards employee compensation related to school operations.

In an effort to provide LEAs with information about this important new resource, on September 8, 2010, School Services of California and California County Superintendents Educational Services Association (CCSESA) conducted a webinar on the federal jobs act. Following are answers to questions that were received during the webcast. The webcast archive is now available for viewing at: www.ccsesa.org (see the link under "Hot Topics").

Allowed Uses

Employee Benefits

Q1. Can the funds be used to supplement (increase) the insurance cap for our staff for the 2010-11 school year as the rates have increased dramatically and out-of-pocket expenses are growing?

A1. Yes, insurance and other benefits for staff at the school-site level are allowed. If the increase extends to central office staff, this cost cannot be paid directly with the funds.

Q2. For pensions associated with employee services for the 2010-11 fiscal year, can we use these funds to cover Governmental Accounting Standards Board (GASB) 45?

A2. An LEA may use the funds for pension obligations accruing on the basis of services that an employee performs during the 2010-2011 school year.

Collective Bargaining

Q3. Is there any mandate to negotiate the use of these funds?

A3. No.

Q4. We heard that the interest earnings' threshold is \$100 per quarter rather than per year. Isn't the \$100 threshold per year?

A4. It is on an annual basis, but interest is reported each quarter. The regulation language on the interest is as follows:

Interest earned on advances. Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act ([31 U.S.C. 6501](#) et seq.) and the Indian Self-Determination Act ([23 U.S.C. 450](#)), grantees and subgrantees shall promptly, but at least quarterly, remit interest

earned on advances to the Federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.

Layoffs

Q5. If we laid off teachers and then rehired them in July before the bill was passed, can we use these funds to pay for their salaries?

A5. The funds may be used to pay for this position, but only as of August 10, 2010. Compensation for the days prior to August 10 must be paid from another resource.

Q6. Does a district need to issue layoff notices to demonstrate that jobs are saved?

A6. No. In addition to adding or bringing back jobs, the U.S. Department of Education (USDE) also allows the funds to be used to avoid further reductions by retaining existing jobs.

Q7. Can we use the funds to bring back the jobs that we are planning to reduce in fiscal year 2011-12?

A7. Yes, that would be considered retaining positions that would otherwise be reduced in the 2011-12 fiscal year.

Specific Classifications of Positions

Q8. Can we use these funds for a psychologist we hired September 1, 2010?

A8. Yes.

Q9. If sites need help in planning their budget and evaluating how to spend federal grants, can we create a new job?

A9. Yes, you do have the ability to add a job if retaining or rehiring does not fit with your organization and the priorities that have been set. There is also the ability to utilize the funds for an after school program for salaries and benefits to support instructional activities. The funds are also available for use in the 2011-12 fiscal year.

Q10. Can I use these dollars for maintenance worker substitutes to allow my regular workers to target specific projects?

A10. Funding maintenance employees with the funds is appropriate as long as it can be demonstrated that a job is being saved—retained, rehired, or added.

Q11. Can we fund an occupational therapist and also bill for reimbursement from MediCal and/or MediCal Administrative Activities (MAA)?

A11. Yes, the funding can be used to pay for an occupational therapist as long as the person is an employee of an LEA, but since it would be a federally funded position, reimbursement through MediCal or MAA would not be allowed.

Q12. We are allowed to use the funding for bus drivers, food service workers, and maintenance and operations workers. Does this include their supervisors and directors of those departments?

A12. No. Supervisors and directors for these programs would be considered general administration and not school-site level positions and so would not be allowed uses of the funding.

Q13. It has been stated that funds cannot be used for outside contractors. Would that include contracts that we have with our county office of education (COE) to provide staff development support?

A13. The prohibition regarding using the funding for contracted staff has one exception category. The USDE allows for contract expenses to another LEA for services rendered by an employee of the LEA that are in direct support of school operations.

Furlough Days

Q14. Many districts are considering reinstating furlough days to those groups that agreed to shorten the school year. Can these funds be used to reinstate furlough days?

A14. The USDE has identified the reduction or elimination of planned furlough days as an appropriate use of the funds.

Q15. May the funds be used to restore furlough days for administrators and office staff in addition to teaching staff?

A15. Yes, the funding can go to restore or reduce furlough days for school operation level administrators (e.g., principals, assistant principals, deans, etc.) and office staff (e.g., school secretary, attendance clerk, etc.), but it cannot be used for central office administrators or office staff.

Q16. I understand that we could use these funds to restore the reduced work year, how does that qualify as creating jobs?

A16. The reporting of "jobs saved" is based on a full-time equivalent (FTE) calculation and not head count. Any added time to current positions is reported as an aggregation of FTE. This is consistent with the definition in place for American Recovery and Reinvestment Act (ARRA) reporting.

Q17. If furloughs were implemented for the superintendent's secretary, can these funds be used?

A17. No. Any position in the superintendent's office, business services, human resources, or educational services at the central office is considered administrative and is not allowed to be charged directly to this funding.

Q18. Does it matter if the furlough days were staff development days rather than instructional days?

A18. No, the funding can be used for both.

Q19. If the funds are used to reinstate furlough days and therefore rescind part of a pay cut, we need to supplement the federal funds with other funding to cover district office jobs, right?

A19. That is correct. You cannot charge district office expenditures to this funding. It will be important to identify priorities and what funds will be used in those priorities in order to maximize your use of the funds.

Q20. How about a one-time, off-schedule payment to compensate for furlough days, but not reinstating them, which is too late for this year?

A20. The initial guidance has identified that an off-schedule bonus would be among the eligible expenditures for the funding, but given the significant cuts made to LEA budgets may not be the most effective use of the funding.

Specific Programs

Q21. In the initial guidance, it was mentioned that expenses may be used for transportation subsidies. Does it mean that we could use the fund for a transportation program contribution?

A21. No, but it would be allowable to charge a bus driver to the funds, thereby reducing the required program contribution.

Q22. How about bringing back adult education positions since the funding was cut/swept?

A22. Yes, that would be allowed as it is a school program.

Q23. We are considering using the funds to offset general fund encroachment in programs such as community day or court schools. Can we now move some of those expenditures to this funding?

A23. Yes, as long as the expenditures are associated with site-level positions providing support to instruction, and it can be demonstrated that jobs have been saved.

Q24. If we use these funds to lower kindergarten class sizes, we should generate additional revenue from K-3 Class-Size Reduction (CSR) funding due to lower the class size. Do you see this as supplanting or possibly double dipping? Do you see any problem with this scenario?

A24. No. Since supplanting rules do not apply to this resource, it would not be an issue, but there should also be no double dipping. The additional funding should be used to bridge the difference between the cost to pay for class-size reduction and the incentive revenues. There is one other factor to consider, which is that under the current K-3 CSR flexibility rules, districts cannot receive funding for more classes than they applied for in 2008-09. As a result, districts that have had significant growth at the K-3 grade levels could find that their incentive funding is limited by this provision.

Other/Miscellaneous

Q25. Can the funds be used for an off-schedule bonus for school-site staff, both certificated and classified?

A25. Yes, but given the significant cuts made to LEA budgets may not be the most effective use of the funding.

Q26. Can you simply add hours to existing staffed positions?

A26. If this is bringing back hours previously reduced or avoiding further cuts and can demonstrate that you are saving a job, you have met the requirement.

Q27. State Fiscal Stabilization Funds (SFSF) allowed districts to charge current salaries and expenditures against the funds. I have heard that the federal jobs funds do not allow for that because districts cannot increase reserves. Is this correct?

A27. The funds cannot go directly to increasing reserves, but it would be possible to direct the funds to current salaries and benefits as an "avoided cut" and thereby indirectly increase reserves.

Q28. Can the funds be used to meet reserve requirements?

A28. No, not directly. The funds may only be used towards the compensation cost of staff that support school operations. However, indirectly, any funds that are "freed up" from the unrestricted general fund as a result of the available federal jobs funding could be used to meet reserve requirements.

Funding Calculation and Timelines

Q29. When will we get the payment for the final 10% allocation?

A29. It is too early in the game to know exactly when the final 10% will be allocated. Remember that the final calculation is based on the Second Principal Apportionment for fiscal year 2010-11, which is not until July 2011.

Q30. Can the funds be used in 2011-2012, as well?

A30. Yes. The funding can be used for expenses beginning as of August 10, 2010, and may be used until September 30, 2012.

Q31. Must the early retirement incentives be incurred after August 2010, or can the expenses associated with prior years' retirements be paid out of the funds?

A31. The funding can be used for those expenses incurred on or after August 10, 2010, through September 30, 2012.

Q32. Must all funds be "encumbered" or "spent" by September 30, 2012?

A32. Funds must be spent prior to September 30, 2012. Therefore, services must be provided on or before September 30, 2012.

Q33. What is the impact of Education Revenue Augmentation Fund (ERAF) or Supplemental Education Revenue Augmentation Funds (SERAF) in the calculations?

A33. If you are referring to the base revenue limit funding used to determine the pro-rata share of funding, property tax funds are not used in the calculation. The California Department of Education (CDE) used the total base revenue limit funding with some adjustments. The calculation is available at www.cde.ca.gov/fg/aa/ca/edjobsfund.asp on the CDE's website.

Q34. Will the adult education revenue per average daily attendance (ADA) be included in the calculation now that it is allocated to Fund 01?

A34. No. It is only based on K-12 ADA included with the base revenue limit formula.

Q35. If the basis for allocation is the total revenue limit, which amount do we use for a basic aid district?

A35. Each district, including a basic aid district, has a specific calculation that includes a base revenue limit. The CDE has posted the calculation that is being used for school agencies, including districts (and basic aid districts), COE, and charter schools on its website at www.cde.ca.gov/fg/aa/ca/edjobsfund.asp.

Funding Management

Q36. Is a public hearing required to use the funds for the approved purposes?

A36. No. There is no separate public hearing required before spending the funds.

Q37. Is the funding subject to the Public Employees' Retirement System (PERS) reduction from the revenue limit?

A37. Yes. This is comparable to the treatment of the SFSF. You should work with your technology department to ensure that the correct postings will occur for payroll purposes.

Q38. Are we required to maintain federal time reports for employees charged to the program?

A38. Probably not, but we are confirming. We assume that it will be treated like SFSF, which does not require time accounting.

Q39. Can you defer use of funds to the 2011-12 school year due to the difficulty of adding teaching staff after school has started?

A39. Yes, but the funds must be spent by September 30, 2012.

Q40. Is it possible to shift expenditures already budgeted in 2010-11 into this new program to "save jobs" by increasing our reserves so we don't have to make layoffs in 2011-12 and 2012-13?

A40. This would be allowed, provided that the positions charged in 2010-11 are involved with school-site operations. The "freed up" funding could then be directed to other priorities, which could include avoiding future layoffs by building up current-year reserves.

Q41. Are indirect cost charges allowed to be charged?

A41. No.

Q42. Since furlough days had to be negotiated, do we have to go back to the table if we want to rescind them?

A42. Yes.

Q43. What is the best way to use this money to prevent additional budget cuts in 2011-12?

A43. With this objective in mind there are two strategies that would be beneficial. The first would be to use the funds to avoid further cuts by paying for existing positions, which essentially allows for an immediate reduction in expenses charged to the unrestricted general fund. The second strategy, which can be used in combination, is to identify uses that have a payback later. For example, this could include early retirement incentives or staff training to build competencies to operate more effectively and efficiently. Another good example would be to add positions that can improve early intervention, thereby reducing referrals for more costly services through special education.

—Jannelle Kubinec and Michele Huntoon, CPA