



District Business & Advisory Services

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Bulletin: 13-058

Date: March 18, 2013

To: District Fiscal Directors
Charter School Fiscal Directors

From: Jason E. Vann

Re: EPA (Education Protection Account) Update

The purpose of this bulletin is to provide a summarized update on EPA and provide a link to the CDE's website for Frequently Asked Questions related to EPA.

With the passage of Proposition 30, the Education Protection Account (EPA) Entitlement went into effect. What this means is that starting in July 2012, the Principal Apportionment was reduced by an amount equal to roughly 21.2% (California Education Code § 14041 9a)(9)(A)) of the 2011-12 P-2 Revenue Limit (RL) funding for each school district. The CDE estimates that the EPA entitlements will be distributed by Friday, June 28, 2013 and the expected revenues may be calculated as follows:

- Revenue Limit Districts – multiply the total 2012-13 deficated revenue limit funding by 20%. If this amount results in a product that is higher than the amount of State Aid certified t P-2, the calculated amount should be reduced down to the amount of actual RL funding for the current year.
- Charter Schools – multiply the general purpose entitlement by 20%.
- Basic Aid Districts - expect to receive the minimum of \$200 per ADA unless there is a change in legislation.

EPA also has certain reporting requirements to be followed. The intention of these reporting requirements is transparency. To that end, the standardized account code structure (SACS) resource code 1400 and the revenue object code 8012 will be available for use in the SACS software after 2nd interim (April 2013). These codes are required for use by all local educational agencies, including charter schools, receiving EPA funds.

Keeping with the transparency motif, Article XIII, § 36 of the Constitution of the State of California requires the use of EPA funds be determined by the governing board at an open public meeting. The meeting requirement can be satisfied at a regularly scheduled meeting (e.g. annual budget adoption meeting) and does not need to be held separately. Use of EPA funds can be addressed as an action item with the governing board and does not need to be brought forward as a board resolution. Should a district choose to adopt a resolution for the use of EPA moneys, a sample resolution is attached to this bulletin (Attachment A).

In addition to the open meeting, EPA expenditures should be reported in Resource 1400 using the actual expenditure account lines where feasible, and not a lump-sum transferred using Object 5710, Transfers of Direct Costs. Per the CDE, reporting actual expenditure items achieves transparency better than a lump-sum transfer.

Keep in mind that LEAs may not use EPA funds for salaries or benefits of administrators or any other administrative costs. The CDE has interpreted administrative costs as anything defined as administration in the California School Accounting Manual. Please refer to the FAQ – SACS for a list of functions not chargeable to EPA. The FAQ is located at:

<http://www.cde.ca.gov/fg/ac/ac/sacsfaq.asp#Q1>

Lastly, the law does not restrict the amount of EPA funds that may be carried over. As a practical matter, the CDE expects most EPA funds to be expended each year.

In terms of planning for next year, the CDE estimates the 2013-14 EPA amount will be approximately 11% of 2012-13 P-2 Revenue Limit Certification (deficit). The CDE also expects to pay out EPA funds to districts and charters quarterly in September, December, March and June.

Should you have any questions concerning these forms, please contact your Advisor:

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Please distribute this memo within your District as deemed appropriate.

ATTACHMENT A

SAMPLE RESOLUTION REGARDING THE EDUCATION PROTECTION ACCOUNT

The provisions of Article XIII, § 36, added November 7, 2012, create in the state General Fund an Education Protection Account to receive and disburse the revenues derived from the incremental increases in taxes imposed by Article XIII, § 36(f). All monies in the Education Protection Account are continuously appropriated for the support of school districts, county offices of education, charter schools and community college districts.

It is the intent of the legislature that all community college districts, county offices of education, school districts, and charter schools shall have the authority to determine how the monies received from the Education Protection Account are spent within the agency. However, in maintaining transparency, the governing board of the district is required to make the spending determinations with respect to monies received from the Education Protection Account in open session of a public meeting of the governing board. Further, the monies received from the Education Protection Account shall not be used for any other administrative costs. The only exception is the payment of the additional audit costs pursuant to the additional audit requirements imposed by Article XIII § 36 of the Constitution.

Based on the foregoing, the Board of Education of the _____ School District, resolves that the monies received from the Education Protection Account shall be spent as attached. This satisfies the requirements imposed by Article XIII §, 36 of the Constitution.

DATED: _____, 2013.

Board Member

Board Member

Board Member

Board Member

Board Member