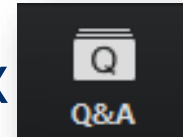


# California Community Colleges Chancellor's Office **State Budget Update and P2**

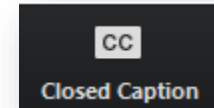
Presented by:  
College Finance and Facilities Planning Division  
July 1, 2020, 2:00 pm

# Housekeeping Announcements

- Enter questions in the Q & A Box



- Click here to read Live Captions



- This presentation is being recorded



# CCCCO CFFP Fiscal & Policy Updates webpage

<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Fiscal-and-Policy-Updates>

Stay Healthy. Stay Informed. Find [facts and resources](#) about the Novel Coronavirus 2019 (COVID-19).

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## Fiscal and Policy Updates

Join the College Finance and Facilities Planning Division at our webinars to get the latest information on fiscal matters and policy updates. For more information, please contact us at [rtartiga@cccco.edu](mailto:rtartiga@cccco.edu).

Webinars	+
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Registration	+

- Vice Chancellor for Finance and Facilities Planning
- Assistant Vice Chancellor for Finance and Facilities Planning
- Apportionment Reports
- Attendance Accounting and Residency
- Budget News
- CARES Act
- Emergency Preparedness
- Facilities Planning
- Fiscal and Policy Updates**

# Agenda

- **State Budget Update** by Lizette Navarette, Vice Chancellor
- **P2 Update** by Keith Nezaam, Director of Fiscal Services
- **Accounting for Deferrals** by Wrenna Finche, CPA, Director of Fiscal Standards & Accountability
- **Q & A Session**

# State Budget Update

- 2020-21 State Budget Agreement
- Highlights for California Community Colleges
- Budget and Trailer Bills

A comprehensive Joint Analysis of the 2020-21 Budget Act and its impact on California Community Colleges will be released later this week.

# 2020-21 State Budget Agreement

- On June 22, Governor Newsom and Assembly and Senate leadership reached an agreement around a final 2020-21 state spending plan. Enacted on June 30.
- For California Community Colleges, the 2020-21 budget agreement prevents cuts to apportionments and categoricals.
- In order to accomplish this, \$1.5 billion in funding to colleges is deferred to future years and provides no COLA and no enrollment growth.
- Of the \$1.5 billion, \$791 million would trigger-off if Congress approves a fourth stimulus package.

# Apportionments

- Rejects the May Revision proposal to cut apportionment funding.
- Approves the May Revision proposal to extend minimum revenue provisions (hold harmless) under the Student Centered Funding Formula by an additional two years.
- No COLA
- No enrollment growth

# Deferrals

- Approves a \$332 million deferral of community college apportionments from this May and June to the next fiscal year. This deferral is primarily for state accounting purposes.
- Approves a \$662.1 million deferral from 2020-21 to 2021-22. Includes trailer bill language to allow hardship exemptions.
- Includes a trigger deferral of \$791.1 million Proposition 98. This deferral would be withdrawn if the state receives federal funding.



# Deferrals Schedule



# COVID-19 Response Block Grant

## \$120 Million Block Grant

- Includes \$120 million one-time from Proposition 98 and federal funds to support a basic needs/learning loss/COVID 19 response block grant to colleges.
  - \$54 million must be spent by December 30, 2020.
  - \$66 million must be spent by June 30, 2022.
- Allocated on actual reported FTES.

## Uses

- Reengagement strategies for incompletes or fails in Spring 2020.
- Grants to faculty to develop online, accelerated learning modules for incompletes and fails.
- Professional development opportunities for faculty and student services professionals.
- Investments to close the digital divide.
- Support to address other barriers.
- Cleaning supplies and PPE.

# Categoricals

- Protects against cuts to categorical programs, including Strong Workforce Program and Student Equity and Achievement, keeping programs at 2019-20 spending levels.
- **SEA.** Requires a portion of the Student Equity and Achievement Program to be used to support or establish food pantries or food distribution program.
- **SWP.** Encourages short-term workforce training programs focusing on:
  - Economic recovery and resulting in job placement. Reskilling and upskilling.
  - Have at least one proven employer partner, demonstrate job vacancies.
  - Use competency-based approaches and apply credit for prior learning.
  - Short term = 4-12 week program

# Categoricals

- Defers the Governor's Budget proposal to create the California Community Colleges System Support Program.
- Provides \$10 million ongoing support for immigrant legal services.
- Provides \$5.8 million for Dreamer resource liaisons.

# Classified Staff Employment

“From July 1, 2020, to June 30, 2021, inclusive, the governing board of a ... community college district... **shall not implement layoffs or releases** of any permanent or probationary classified employees of the... community college district... who hold classifications in, or are assigned to positions **in nutrition, transportation, or custodial services**.

Nothing in this section shall be construed to prohibit a... community college district... from terminating a classified employee for good cause.”

# Capital Outlay

- Approves Proposition 51 resources to support 25 new and 15 continuing capital outlay projects. Also approves the May Revision proposal to reappropriate funds for 23 projects.

# CalPERS/CalSTRS

- Includes a \$2.3 billion reallocation to buy down employer contribution rates for the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) in 2020–21.
- The bill also removes the CalSTRS Board's ability to change the rate in 2020–21, instead keeping the 2019–20 rate in statute.

# CalPERS/CalSTRS

## CalPERS

2020-21 Prior Rate	New 2020-21 Rate	2021-22 Prior Rate	New 2021-22 rate
22.67%	<b>20.7%</b>	24.6%	<b>22.84%</b>

## CalSTRS

2020-21 Prior Rate	New 2020-21 Rate	2021-22 Prior Rate	New 2021-22 rate
18.41%	<b>16.15%</b>	17.9%	<b>16.02%</b>



# 50% Law

- The trailer bill language excludes COVID-19 related expenditures from the 50% Law calculations.
- Adds a one-year sunset. Repealed July 1, 2021.

# Other Provisions

- Reduces funding for Calbright College by \$5 million ongoing and \$40 million one-time.
- Provide \$700,000 one-time General Fund to support a working group to review current rules governing the use of athletes' names, images and likeness per the Fair Pay to Play Act.
- Provides \$15 million one-time General Fund (through the Cal Grant program) to support emergency financial aid for undocumented students at UC, CSU and the community colleges. \$11 million of total program resources designated for community colleges.

# Budget and Trailer Bills

Bill Number	Topic
<b>SB 74</b>	2020 Budget Act
<b>AB 89</b>	Amendments to the 2020 Budget Act
<b>AB 94</b>	Higher Education trailer bill
<b>AB 76</b>	Apportionments trailer bill
<b>AB 77</b>	Education omnibus trailer bill
<b>AB 84</b>	Pension payments trailer bill

# Follow ***Budget News***

For more information please visit the Budget News section of the Chancellor's Office website:

[www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Budget-News](http://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Budget-News), or contact me at [lnavarette@cccco.edu](mailto:lnavarette@cccco.edu).

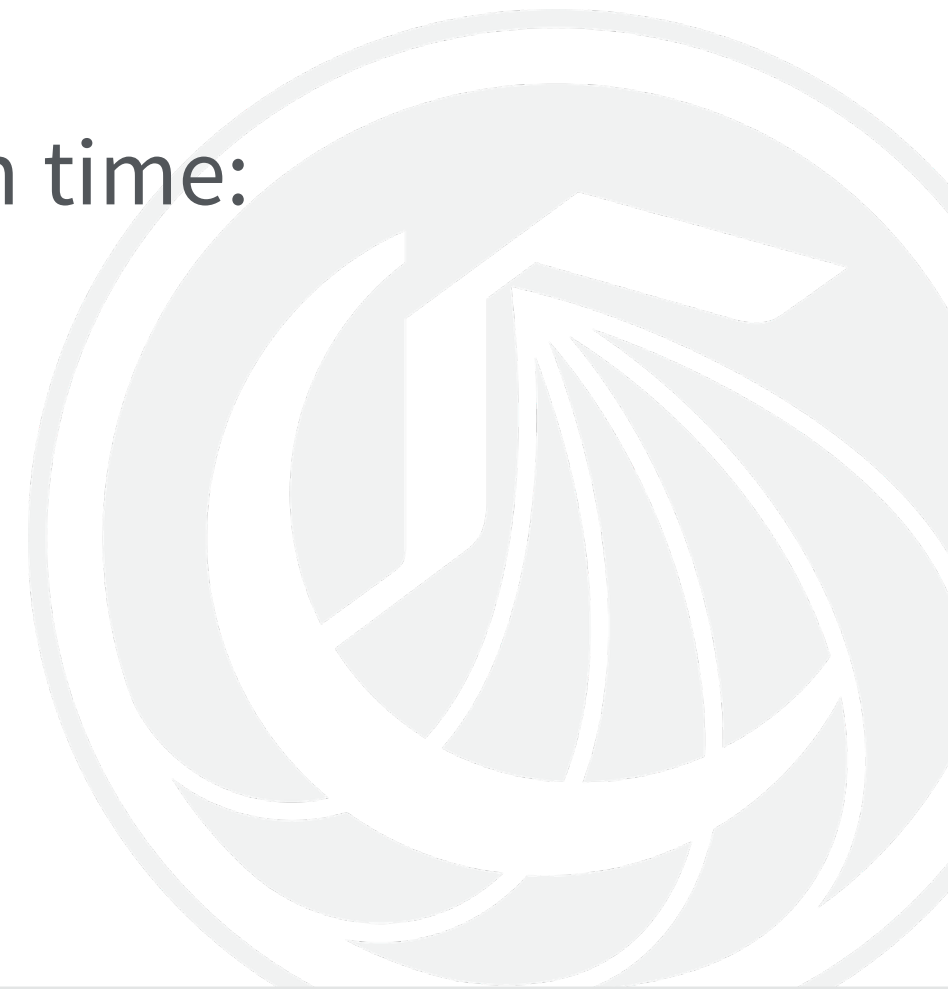
# The Apportionment Cycle

Certification Period	Timing	Payments
Advance Apportionment	July 15th of the current fiscal year	July through January
First Principal Apportionment	February 20th of the current fiscal year	February through May
Second Principal Apportionment	June 25th of the current fiscal year	June
Recalculation	February 20th of the subsequent fiscal year	February of the subsequent fiscal year

# The Apportionment Cycle

Data points updated at each point in time:

- Enrollment
- Property Taxes
- Fee Revenue
- SCFF Metrics
- Other



# 2019-20 P2 Point-in-Time

- Certification completed based on point-in-time law and available resources.
- Over \$550 million in 2019-20 General Fund Backfill as part of 2020 Budget Act not available pending enactment and availability at SCO. Lack of an automatic backfill.
- Deferrals from 2019-20 to 2020-21 not in law at the time of certification.

# Enrollment

- COVID-19 Emergency Conditions Allowance Protection.
- 49 districts elected to use P1 reported FTES instead of P2.



# SCFF Rates

- In addition to traditional data points used to calculate district funding, statute required us to calculate the standard credit FTES rate and the 13 different rates used in the 27 supplemental and student success components of the SCFF. Based on the \$7.43 billion TCR specified by the Department of Finance.
- 4 other FTE categories and basic allocation funding rates are not impacted, but factor in the intended 70, 20, 10 percent TCR split.

# 2019-20 P2 SCFF Rates

	2019-20 Rates at P2
Base Credit	4,009.00
Supplemental Point Value	948.00
Student Success Main Point Value	559.00
Student Success Equity Point Value	141.00
Incarcerated Credit	5,621.94
Special Admit Credit	5,621.94
CDCP	5,621.94
Noncredit	3,380.63

- Standard rates applicable to majority of districts are displayed.
- 10 districts have higher base, incarcerated, and special admit credit rates based on statute.

# 2019-20 P2 Revenue Deficit

- \$547 million deficit on a \$7.433 billion TCR and \$6.886 billion in available revenues.
- 7.362% systemwide revenue deficit. 8.16% for districts with General Fund that can be reduced. Proportional deficit to TCR to reduce General Fund.

# 2019-20 P2 Available Revenues

- \$462 million shortfall due to a significant decrease in EPA.
  - \$210 million overpayment in 2019-20 EPA won't be accounted for until September.
- \$64 million shortfall due to estimated offsetting property taxes.
- \$17 million shortfall due to offsetting enrollment fee revenue.

# 2019-20 P2 General Fund Backfill

Delayed 2019-20 General Fund Appropriations include:

- \$472 million to backfill the decline in EPA.
- \$52 million to backfill lower property taxes than estimated.
- \$17 million to backfill lower enrollment fees than estimated.
- To be determined amount available through reappropriation of unused prior year funding. At least \$30 million.

# 2019-20 P2 Revision

- We anticipate being able to calculate a P2 revision in July or August to disburse recently appropriated General Fund resources pending availability at the State Controller's Office.

# Funding Supports and Allowances

- Hold Harmless (to 2017-18 TCR) extended through 2023-2024.
- 49 Districts opted in to the COVID-19 Emergency Conditions Allowance (2019-20 P1 FTES).
- FTES estimates allowed for some courses both in progress at March 13 & transitioned online.
- Individual Emergency Conditions Allowance for material loss of FTES.

## COVID-19 Guidance

- Executive Orders expire 180 days from issuance.
- Temporary COVID-19 transition guidance under review.

# Accounting for Deferrals

Consult your independent auditor for appropriate financial statement revenue recognition

For K-12 LEAs, Education Code section 33128.1 states “Notwithstanding any other law, a local educational agency may recognize for budgetary and financial reporting purposes any amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.”

Suggested 2020-21 Closing Entry	Debit	Credit
State General Apportionment Receivable	\$662.1 million	
Unavailable Revenue – Deferred State General Apportionment		\$662.1 million



# 2019-20 EPA and Local Revenue Deferral & Backfill

The Chancellor's Office is working with ACBO's Fiscal Standards and Accountability Committee and independent audit firms to determine consistent revenue recognition year end closing entries for the deferral of the EPA, property tax, and student enrollment fee portion of state revenue.

Fund balances reported on the 311 Annual Budget and Financial Report should agree to the audited financial statements.

# Cash Flow!

1. Project cash flow for All Funds over the next 18-24 months
2. Educate local trustees and department heads

## Recommended Resources:

- [Effective Cash Management During Uncertain Times](#), FCMAT
- [Meeting Cash Flow Challenges in Light of the May Revision](#), SSC
- [Managing Cash Flow in a Crisis: How to Quickly Build a Working Cash Flow Model](#), GFOA webinar

# Potential Sources of Cash

1. Draw down contingency reserves
2. Borrow from other internal funds
3. Borrow from the county treasurer
4. Tax Revenue Anticipation Notes (TRANs)

Other? Please share your ideas in the Q&A box

# Q & A Session

- Q & A Box



# More to Discussions to Come

- July 8: ACBO Wednesday Meeting
- August 14: Annual Budget Workshop
- Throughout 2020-21: Fiscal and Policy Webinar Series

# Upcoming 2020-21 Budget Workshop

- Virtual event and recorded.
- Scheduled for August 14, 2020. Save the date!
- Half Day Schedule (tentatively in the morning, 9-12)
- Tentative Agenda:
  - LAO's State Budget and Economic Outlook
  - Deep Dive into the Joint Analysis
  - Walk Through of the new Exhibit C
  - 2021-22 Budget Request

# Fiscal and Policy Webinar Series

- Developed in partnership with ACBO.
- 2-hour modules provided throughout 2020-21 on topics such as:
  - Compliance Requirement, such as FON & 50% Law
  - Fiscal Health & Cash Flow Strategies
  - History of CCC Funding
  - Primer on P98 & the State Budgeting Process
  - Capital Outlay Program
  - Student Centered Funding Formula
- Can earn CPE!
- Visit our CFFP's Fiscal and Policy Updates Webpage for more information:  
<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Fiscal-and-Policy-Updates>

# **California Community Colleges Chancellor's Office State Budget Update and P2**

**Thank You For Joining!**