



# California Community Colleges

## MEMORANDUM

October 13, 2020

FS 20-10 | Via Email

TO: Chief Executive Officers  
Chief Business Officers

FROM: Lizette Navarette  
Vice Chancellor, College Finance and Facilities Planning Division

RE: Hardship Exemption from 2020-21 Deferrals

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### **Hardship Exemptions from 2020-21 Deferrals**

The 2020 Budget Act includes a plan to defer \$1.45 billion in state general apportionment payments to community colleges. The Budget Act also established Education Code section 84321.7, which provides California Community Colleges up to \$30 million per month, for February 2021 through June 2021, for hardship exemptions from deferrals for qualifying districts. Deferral exemption funds for the community college system are limited and should be considered a cash source of last resort. Districts are highly encouraged to pursue Tax and Revenue Anticipation Notes (TRANS), through participation in pooled TRANS programs, and other loan programs to meet cash flow needs.

The Budget Act prescribes that if the total requested by community college districts exceeds \$30 million in any given month, the Department of Finance, State Controller's Office, and State Treasurer's Office may authorize additional payments of up to \$60 million in that month.

Districts may submit a request for exemption from deferrals as described below. Upon Chancellor's Office approval, a district may receive the lesser of (1) the total additional funds needed to meet its financial obligations for the month or (2) the amount needed to meet the district's monthly apportionment of total computational revenue as determined by the Student Centered Funding Formula. If the total amount requested by districts in any month exceeds the amount available, payments to the districts will be prorated.

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**Chancellor's Office, College Finance and Facilities Planning**

1102 Q Street, Sacramento, California 95811

[www.CaliforniaCommunityColleges.cccco.edu](http://www.CaliforniaCommunityColleges.cccco.edu)

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### Request for Hardship Exemption from 2020-21 Deferrals

To request an exemption, a district must submit a certification that the district cannot meet its financial obligations and a cash flow projection summary to the Chancellor's Office on the attached *Request for Hardship Exemption from 2020-21 Deferrals Form*. The cash flow projection summary must demonstrate that, for the month of the exemption request, the district's cash inflow, including Tax and Revenue Anticipation Notes and other loans, is insufficient to meet cash outflow needs.

The analysis should include consideration of available sources of cash and cash outflow from all district funds, including restricted and unrestricted general funds as well as special revenue funds, capital projects funds, fiduciary funds, and component unit funds of auxiliary organizations/foundations.

Districts are highly discouraged from making long-term or permanent transfers from Other Post Employment Benefit (OPEB) funds to the general fund. Short-term internal borrowing or temporary fund transfers should include repayment plans.

The *Request for Hardship Exemption from 2020-21 Deferrals Form* is an excel workbook that includes an application form for each month on a separate tab. A separate application form for each month an exemption is requested must be submitted by the due dates shown in the table below. If the request is approved by the Chancellor's Office, districts will be notified in writing according to the below schedule.

Deferral Hardship Exemption Request Month	Due Date	District Notification Date
February 2021	December 1, 2020	December 8, 2020
March 2021	January 1, 2021	January 8, 2021
April 2021	February 1, 2021	February 8, 2021
May 2021	March 1, 2021	March 8, 2021
June 2021	April 1, 2021	April 8, 2021

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### Cash Management Tips

To develop cash projections, districts should begin with reconciled and accurate cash balances and base all projections on realistic estimates and assumptions. Careful consideration should be given to the timing of receipts and payments, including timelines for grant funds or capital outlay funds which are restricted for use in a future period. Look for any lump sum payments due. Pay careful attention to months in which a biweekly payroll schedule includes three payments. Districts should also be sure to include any costs of borrowing to manage the state revenue deferrals, including interest payments.

Where possible, districts may negotiate earlier receipt of certain revenues, shorten time allowed for accounts receivable and improve collection efforts, and accelerate or expand fundraising. Additionally, districts may consider the delay of significant expenditures, negotiate longer terms with vendors, negotiate timing and size of lump sum payments, delay new program implementation or events, and evaluate the district's ability to afford short and long-term operating obligations.

### Exemption Request Submission and Contacts

If your district would like to request an exemption from the 2020-21 deferrals of state general apportionment, please submit the *Request for Hardship Exemption from 2020-21 Deferrals Form* by the due dates shown above to [FiscalStandards@cccco.edu](mailto:FiscalStandards@cccco.edu). If you have any questions about the hardship exemption, please contact Rafael Artiga at [rartiga@cccco.edu](mailto:rartiga@cccco.edu).

**Email Attachment:** *Request for Hardship Exemption from 2020-21 Deferrals Form*