



**TO:** Chief Executive Officers, Chief Instructional Officers, Chief Student Services Officers, Chief Business Officers, Chief Human Resources Officers

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

**RE:** Novel Coronavirus (COVID-19) Guidance – Extension of Fiscal Reporting Due Dates

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The Chancellor’s Office has determined that strict compliance with the regulations governing financial reporting requirements will impede the continuity of education during the COVID-19 pandemic. For this reason, the Chancellor has issued Executive Order 2020-06 temporarily suspending California Code of Regulations, title 5, sections 58300, 58301, 58305(a), 58305(c), 58305(d), and 59106. (5 Cal. Code Regs. 52020.) The purpose of this memorandum is to provide further guidance on the temporary suspension of these regulations and the establishment of new deadlines for local budgets, annual financial and budget reports (CCFS-311), and district audit reports only.

### **The State Budget Process**

Annually, the Governor of California releases a proposed budget on or by January 10. This proposed budget contains allocations for all state government-funded programs, including the California Community Colleges. The budget then goes through the legislative process, which includes hearings in the State Assembly and Senate prior to being released in a revised form on or by May 15. Following this “May Revise” release, additional alterations may be made to the budget prior to its approval by the Governor and Legislature on or by June 30.

### **Impact of COVID-19 on State Budget Development**

On March 4, 2020, Governor Newsom signed Executive Order No. N-25-20, which acknowledged the impact of COVID-19 on Californians and temporarily extended tax filing deadlines by 60 days. Furthermore, on March 18, 2020, the Franchise Tax Board announced the postponement of tax filing and payment deadlines until July 15, 2020, for all individuals and business entities for 2019 tax returns, 2019 tax return payments, 2020 1st and 2nd quarter estimate payments, 2020 LLC taxes and fees, and 2020 non-wage withholding payments.

Specifically, due to the extension in filing and payment of certain taxes to July 15, 2020, the Department of Finance will not have updated revenue estimates until mid-August. The delayed deadline will make it difficult for the Legislature to craft a 2020–21 State Budget Act that includes a full revenue picture before the June 15 constitutional deadline. As a result, the Legislature is considering approving the 2020–21 State Budget Act by the June 15 deadline and revising the budget in August. This would allow the Administration and Legislature to make adjustments based on updated revenue estimates.

### **Impact on Local Budgets**

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Each year, the state utilizes a complex formula that includes several revenue sources to calculate a “minimum guarantee” for school and community college funding as prescribed in Proposition 98 and related statutes. A key component of the minimum guarantee calculation is state revenues from taxation. The state rarely provides funding above the estimated minimum guarantee for a budget year from the general fund. As a result, the minimum guarantee determines the total amount of state funding for schools and community colleges. Due to the extension of certain tax filing and payment dates, estimates of the Proposition 98 minimum guarantee for 2020-21 will not be fully known until August.

California Community Colleges rely on accurate revenue projections to prepare district budgets. Annually, district budgets must be approved by local boards of trustees and submitted to the Chancellor’s Office by October 10.

Because the state budget, when passed, will likely have numerous revisions, districts will lack critical information to deliberate on local budgets, complete the Annual Financial and Budget Report (311Q), and submit audit reports. Given the uncertainty in state budget approval timelines and state revenues, California Community Colleges will experience added challenges in local budget development should current deadlines remain in place. Accordingly, the Chancellor has granted temporary extensions on financial reporting deadlines (see chart below).

<b>College District Financial Reporting Requirement</b>	<b>Regulatory Due Date</b>	<b>New Due Date</b>	<b>CCR Title 5 Section</b>
Submit tentative budget to county officer.	July 1	August 1	58305(a)
Make available for public inspection a statement of prior year receipts and expenditures and current year expenses.	September 15	October 31	58300
Hold a public hearing on the proposed budget. Adopt a final budget.	September 15	October 31	58301 58305(c)
Complete its adopted annual financial and budget report and make public.	September 30	November 15	58305(d)

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Submit an annual financial and budget report to Chancellor’s Office.	October 10	November 30	58305(d)
Submit the annual audit report to the Chancellor’s Office.	December 31	February 28	59106

**CONTACTS**

For questions about this memorandum, please contact the Fiscal Standards and Accountability Unit at [fiscalstandards@cccco.edu](mailto:fiscalstandards@cccco.edu).

cc: All-CCCCO Staff