

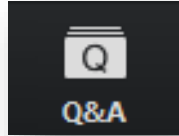
California Community Colleges Chancellor's Office

2020 Budget Workshop

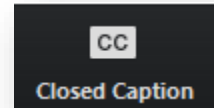
Presented by:
College Finance and Facilities Planning Division
August 14, 2020, 9:00 am

Housekeeping Announcements

- Enter questions in the Q & A Box



- Click here to read Live Captions



- The following sections of the presentation are being recorded



2020 Budget Workshop Binder Resources

- Apportionments and Funding Formula
- COVID 19 Block Grant
- Emergency Conditions
- FON
- State Budget Overview
- Planning for Strong Fiscal Health

Agenda

1. Opening Remarks by Chancellor Eloy Ortiz Oakley
2. Overview of the State Budget Framework by the LAO
3. Break
4. Apportionments and Student Centered Funding Formula
5. Updates on Categorical Program Funding and Implementation
6. Break
7. COVID-19 Block Grant
8. Planning for Strong Fiscal Health
9. Q&A/Closing

Welcome

Chancellor Eloy Ortiz Oakley

Student Centered Through the Pandemic & Beyond



2020 Budget Workshop

Overview of the State Budget Framework



The California State Budget in the Time of COVID-19 and Economic Recession

Paul Steenhausen
Legislative Analyst's Office (LAO)

paul.steenhausen@lao.ca.gov

From an Anticipated \$6 Billion General
Fund Surplus for 2020-21 . . .

... To a \$54 Billion Deficit.

- Lower revenue estimates.
- Higher costs

Solutions Adopted in 2020-21 Budget Package:

- Baseline adjustments.
- Education deferrals.
- Cost shifts and borrowing.
- Federal funds.
- Reserves.
- Revenue increases.
- Spending reductions.



2020-21 Budget Reduces K-12 and CCC Funding to Reflect Lower Minimum Guarantee.

- But maintains programmatic funding level using deferrals and federal funds.
- Budget would “trigger off” \$791 million in scheduled CCC deferrals if state receives additional federal funds.
- Repurposes prior pension payment by state to reduce district costs over the next two years.

Unknowns at This Point and Looking Forward:

- How are actual tax receipts tracking with revenue assumptions in the budget?
- Further federal assistance?
- The trajectory of the pandemic and continued impact on the economy.
- Mix of solutions to consider using for 2021-22 budget.
- When will the state be able to pay off all those education deferrals?

LAO Fall Projects

- District reserves and cash management.
- Budget update, including enrollment, instructional modalities being used, local budget actions and plans, and Covid-19 costs.
- I will be contacting some of you!

Last Poll Question

- Community colleges are locally governed but must comply with many statutory and regulatory requirements. Is there any particular type of flexibility you can think of that could help your district/college better navigate the current crisis?
- Answer through chat box.

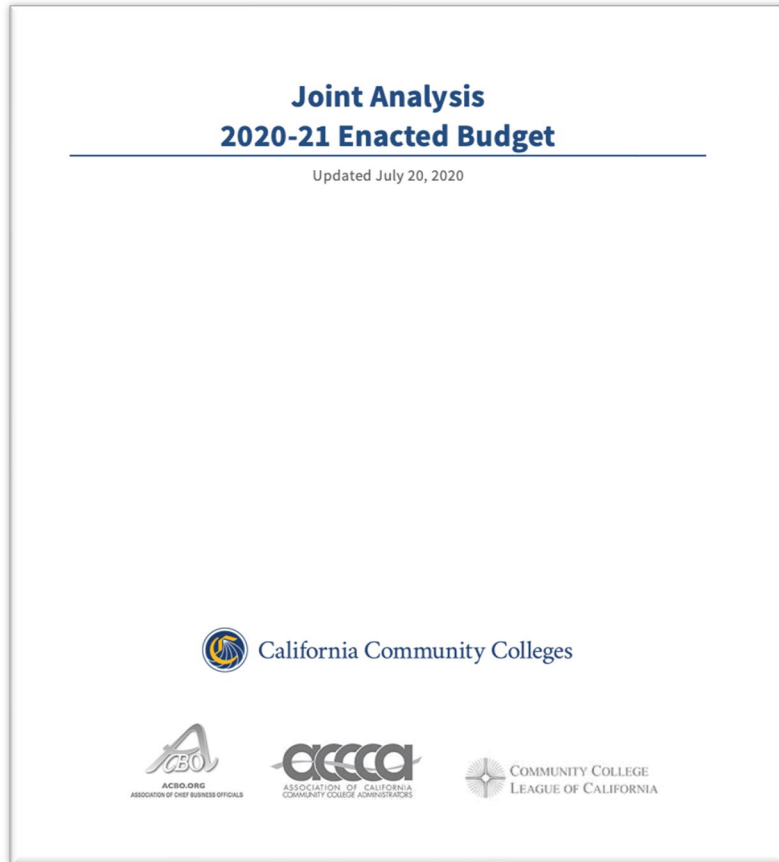
Thank You!

Paul Steenhausen

paul.steenhausen@lao.ca.gov



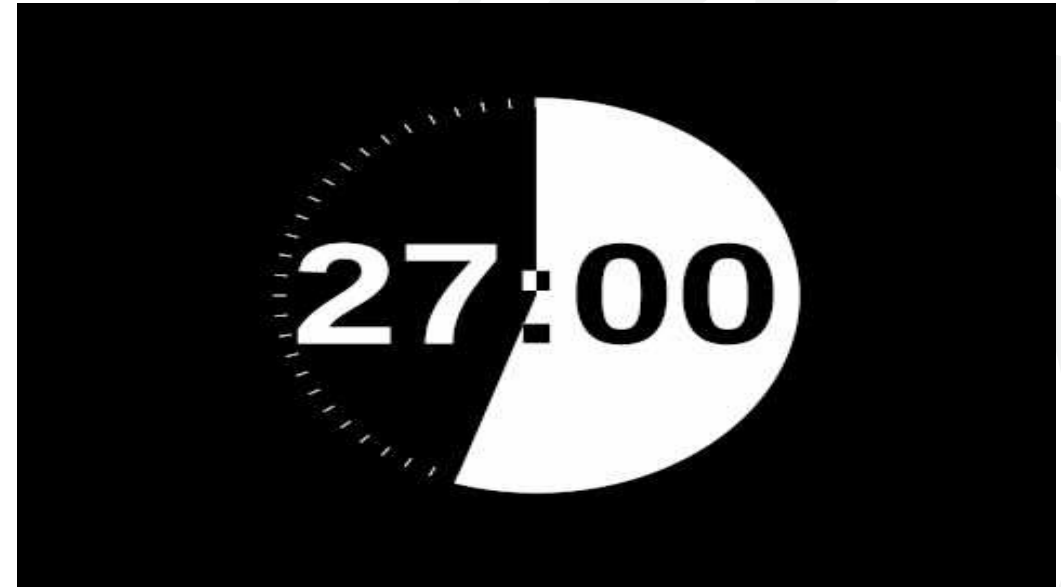
In-Depth Budget Analysis



- Budget Overview
- Analysis of Trailer Bill Language
- Budget Charts
- Glossary
- And more

Break

- We will be back at 10:10 AM.



2020 Annual Budget Workshop

Apportionments and Student Centered Funding Formula



Second Principal Apportionment (P2) Revision

- Original certification
- Pending revised certification
- Next steps

2019-20 P2 Original Certification

- Original certification in June was completed based on point-in-time law and available resources.
- \$7.43 billion Total Computational Revenue (TCR)
- 8.16% revenue deficit based on a \$547 million General Fund shortfall.
- No deferrals processed from 2019-20 to 2020-21.

2019-20 P2 Pending Revision

- \$516 million in 2019-20 General Fund backfill funding was included in the 2020 Budget Act but are still not available due to administrative delays at the State Controller's Office (SCO).
- We are working closely with DOF and SCO to expedite this process.
- No automatic backfills for our system. (Continued advocacy issue.)

2019-20 P2 Pending Revision

- Your workshop materials include a revised Exhibit C based on the pending P2 revision that reflects the availability of resources provided in the Budget Act.
- However, this includes a \$34 million decrease in systemwide resources based on revised Los Angeles County property tax reports recently provided to our office.
- The pending revision results in a 0.95% revenue deficit based on a \$65 million General Fund shortfall due to property taxes.

2019-20 Next Steps

- We will disburse resources as they become available, possibly August no later than September for the majority of funds.
- Usual Recalculation in February based on updated actual property tax and enrollment data.
- However, adjustments to funding levels will not be made in February payments because those payments will be deferred.

2020-21 Advance Apportionment

- Baseline data
- Protections and hold harmless
- Original certification and resources
- Revised certification and resources
- Deferral schedule and methodology
- Next steps
- Resources



SCFF Rates

- Rates calculated by the Chancellor's Office and memorialized in statute in 2019-20 continue in 2020-21 because no COLA was provided to 2020-21 rates.
- See your district's 2019-20 P2 Exhibit C for a detailed breakdown of the 5 FTES and 27 supplemental and success categories/rates that make up the majority of the SCFF TCR.

SCFF Rates

	Rates
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.

Baseline Data

- 2019-20 FTES and SCFF data points have been carried forward for purposes of 2020-21 SCFF calculations. No growth funds were provided in 2020-21.
- Property tax and enrollment fee estimates used by the Department of Finance when determining our General Fund appropriation are largely used at the Advance. These values were reduced by the \$34 million decrease recently reported by Los Angeles County.

Protections

FTES Protections:

- COVID FTES protections provided pursuant to regulation section 58146 will continue in the 2020-21 fiscal year.
- Workshop resources include memo FS 20-09, which provides additional detail.

SCFF Hold Harmless Extension:

- The Budget Act of 2020 extended minimum revenue (hold harmless) provisions by an additional two years to 2023-24. 2017-18 TCR plus applicable COLA in subsequent fiscal years.

2020-21 Advance (Background)

- The 2020 Budget Act defers a total of \$1.45 billion in apportionment funding from February through June of 2020-21 to 2021-22.
- The deferrals were all reduced from the 2020-21 SCFF Apportionment schedule, however there is not enough money for this level of deferral during the months specified in statute.



2020-21 Advance (Background)

- The 2020 Budget Act provides authority to defer categorical programs and transfer authority to the SCFF to align deferrals with the amounts specified in statute beginning in February and to ensure SCFF payments can be made from July through January.
- Given the circumstances, exercising this authority is necessary and \$415 million in Student Equity and Achievement (SEA) program funding will be deferred to 2021-22 beginning in August.

2020-21 Advance (July)

- The July Advance SCFF apportionment did not include the transfer of categorical resources to the SCFF to align resources with the statutory deferral schedule because it was unclear if that authority could be exercised prior to the December 15th enactment of the deferral statute.
- Consequently, SCFF General Fund apportionment resources in the July Advance are exhausted in November.
- Please see the July Advance memorandum and attachments for further details.

2020-21 Advance (August)

- The pending August Advance allows for the full allocation of SCFF General Fund apportionments from July through January with the \$415 million deferral of SEA program funding.
- The Advance reflects a TCR of \$7.44 billion and a revenue deficit of .85% based on an estimated General Fund shortfall of \$58 million.
- This shortfall is primarily due to discrepancies in the estimate of offsetting local property taxes at excess tax districts and a decrease in local property tax estimates in Los Angeles County.

2020-21 Advance (Deferral Equity)

- District reliance on the General Fund to pay for their TCR varies widely depending on district property tax receipts.
- Some districts rely heavily on the General Fund as high as 88%, while other non excess tax districts rely as little as 16%. The average reliance on the General Fund for non excess tax districts is 59%.

2020-21 Advance (Deferral Equity)

- As a result, deferrals do not equitably impact districts in our system.
- To remedy this, we have implemented a deferral allocation methodology that is more in proportion to district TCR and accounts for the disparity in reliance on the General Fund to fund the SCFF.
- In addition, to help with cash flow, we are accelerating the disbursement of the majority of categorical funding that goes out from February to June to August through January.

2020-21 Deferrals



Deferrals

- Background
- Deferrals Schedule
- Revenue Sources
- Payment Schedule
- Methodology
- Examples
- Repayment Schedule



Background

- Assembly Bill 89 – Education Code 84321.62
- \$1.45 billion
- Feb - June 2021 deferred
- July – Nov 2021 repaid
- \$791 million of deferrals would be withdrawn if federal resources are provided.
- Statute authorizes up to \$60 million to be exempted to avoid district insolvency. Additional details will be provided in the coming months.

Poll

Opinion: How should the deferrals be shared among the districts?

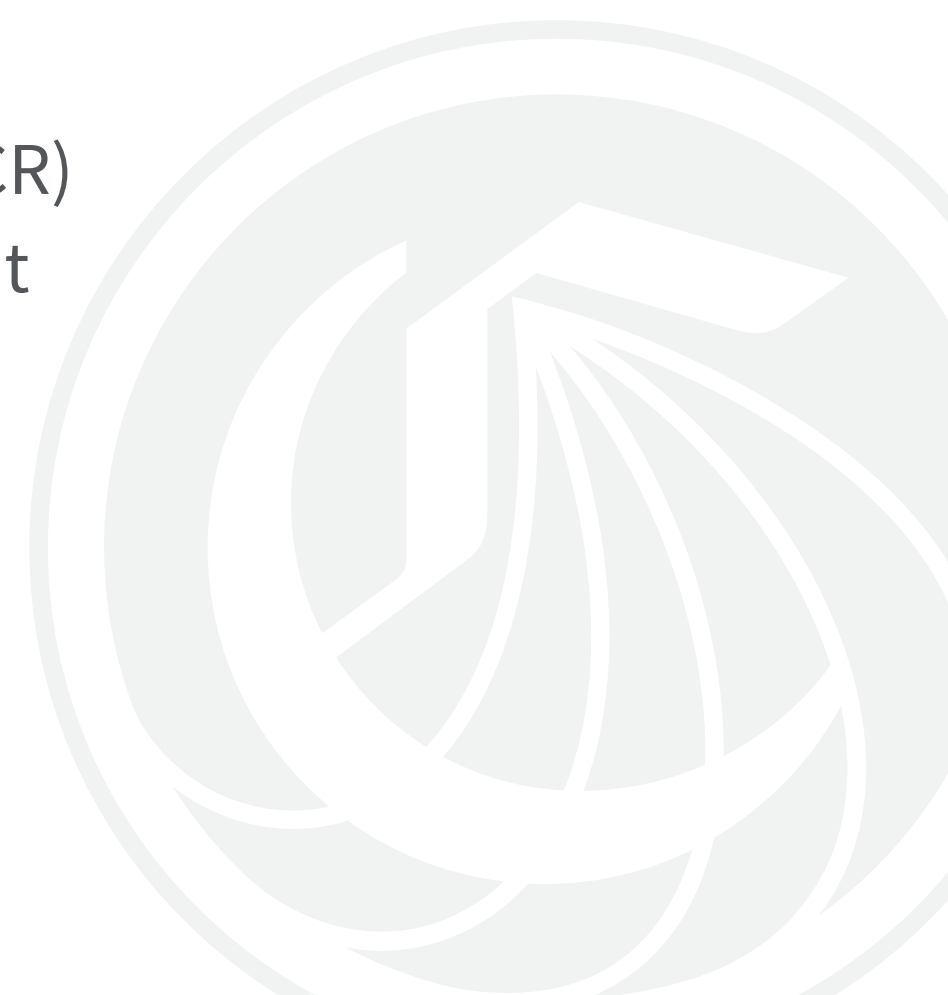
- Distribute available General funds based on:
 1. All CCDs receive an equal % of the amount of General funds needed.
 2. All CCDs are funded at least a minimum % of their TCR.

Deferral Schedule



Revenue Sources (\$M)

\$7,446	Total Computational Revenue (TCR)
4,836	Non-General Fund Apportionment
\$ 3,240	Property Tax (net)
1,089	EPA
448	Enrollment Fees
58	Deficit
2,609	General Fund Apportionment
1,453	Deferrals
1,111	General Fund
40	Reappropriations



Payment Schedule (Normal/Available/Revised)(\$M)

Title 5 § 58770

<u>Rate</u>	<u>Month</u>	<u>Normal</u>	<u>Available</u>	<u>Revised</u>
8%	July	\$ 208	\$ 208	\$ 208
8%	August	208	208	208
12%	September	313	313	313
10%	October	260	260	260
9%	November	234	159	234
5%	December	130	0	130
8%	January	208	0	208
8%	Feb – June	208/month	0/month	0/month
100%	FY 2020-21	\$2,609	\$1,151	\$1,565*
60%	July – Jan 2021	\$1,565 * by converting \$415 in SEA funds (AB 89)		

Methodology (\$M)

1. Coverage – Amount of TCR covered by property tax, enrollment fees, EPA, and deficit
2. Floor – % of Coverage/TCR
3. Distribute:

\$1,150	CCD(s) with the lowest Floor (76.1%)
415	converted SEA funds
\$1,565	Total (83.2%)

Examples: Deferrals based on % of TCR (\$M)

<u>District</u>	<u>Citrus</u>	<u>Santa Monica</u>	<u>Sonoma</u>
TCR	\$ 75.9	\$137.7	\$113.3
Non-General Funds	24.9	70.6	96.0
% Coverage	32.86%	51.25%	84.71%
<u>General Funds</u>	<u>\$ 38.2</u>	<u>\$ 44.0</u>	<u>\$ 0.0</u>
Total Funds	\$ 63.2	\$ 114.6	\$ 96.0
% Coverage	83.23%	83.23%	84.71%

2021-22 Deferral Repayments (\$M)

Month	General Apportionment	SEA Funds	Total
July	\$ 208	\$ 96	\$ 305
August	208	91	300
September	208	91	300
October	208	91	300
November	208	44	253
Total	\$1,043	\$415	\$1,458



Deferrals

Q & A





Next Steps

- 2019-20 funding will be allocated as the resources become available at the State Controller's Office.
- 2019-20 R1 and 2020-21 P1 and P2 will be calculated as usual, however no adjustments in SCFF allocations can be made until deferral repayments are made beginning in July of 2021.



Resources

- Apportionments@CCCCO.edu
- Budget workshop resources
- [Apportionment website](#)



2020 Annual Budget Workshop

Updates on Categorical Program Funding and Implementation

Strong Workforce Program

2020-21 State Budget



WEDD Updates

- 20-21 SWP Base Allocation memo released Aug 4
- Updates to SWP 20-21 Funding - New TBL 20-21 SWP
- Upcoming Memo - Instructions on unspent funds for R1-R3
- Monthly WEDD Webinar on Program Updates
 - 4th Wed of each month
 - **Wednesday, August 26, 2020 – 9 am (SWP/Perkins)**
 - Sign up for WEDD Listserv to receive updates at subscribe.wfd.strongworkforce.net

Student Equity & Achievement

2020-21 State Budget

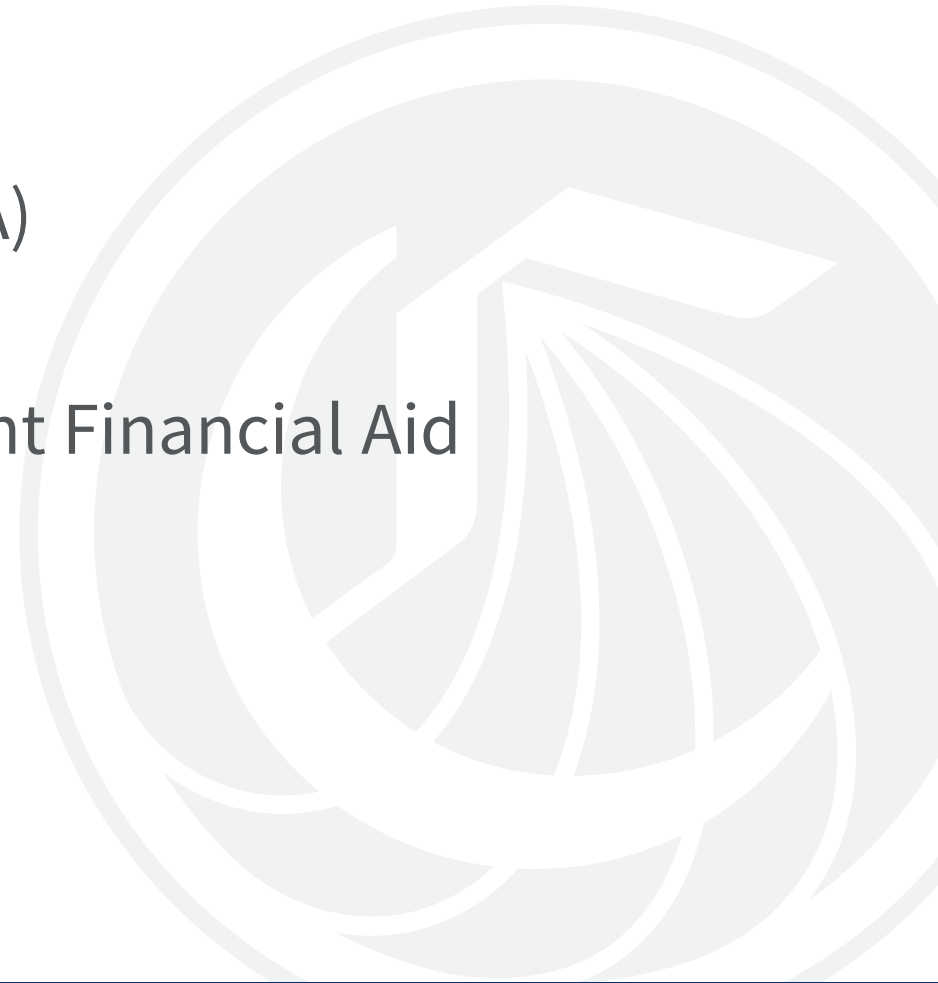


Educational Services & Support

2020-2021 Budget Impacts Categorical Programs & Financial Aid

20-21 Budget Impacts

- Student Equity & Achievement Program (SEA)
- Dream Resource Liaison
- Board Financial Assistance Program – Student Financial Aid Administration Program
- Student Success Completion Grant Program
- California College Promise Program



20-21 Budget Impacts

- Student Equity & Achievement Program (SEA)
 - No monetary reductions
 - Added requirement to support or establish on-campus food pantry or regular food distribution programs
 - Included as part of the 1.45 billion budget deferral
 - Dean Michael Quiaoit, mquiaoit@cccoco.edu
- Dreamer Resource Liaisons
 - \$5.8 million from Prop 98 General Fund
 - Dean Gina Browne, gbrowne@cccoco.edu
 - <https://www.cccoco.edu/Students/Support-Services/Special-population/Undocumented-Students/Resource-Center>

20-21 Budget Impacts

- Board Financial Assistance Program – Student Financial Aid Administration Program
 - Reduction of \$389,000
 - Remain subject to Maintenance of Effort (MOE) and under-utilization penalties
- Student Success Completion Grant Program
 - \$9 million funding increase
- California College Promise Program
 - Reduction of \$3,766,000

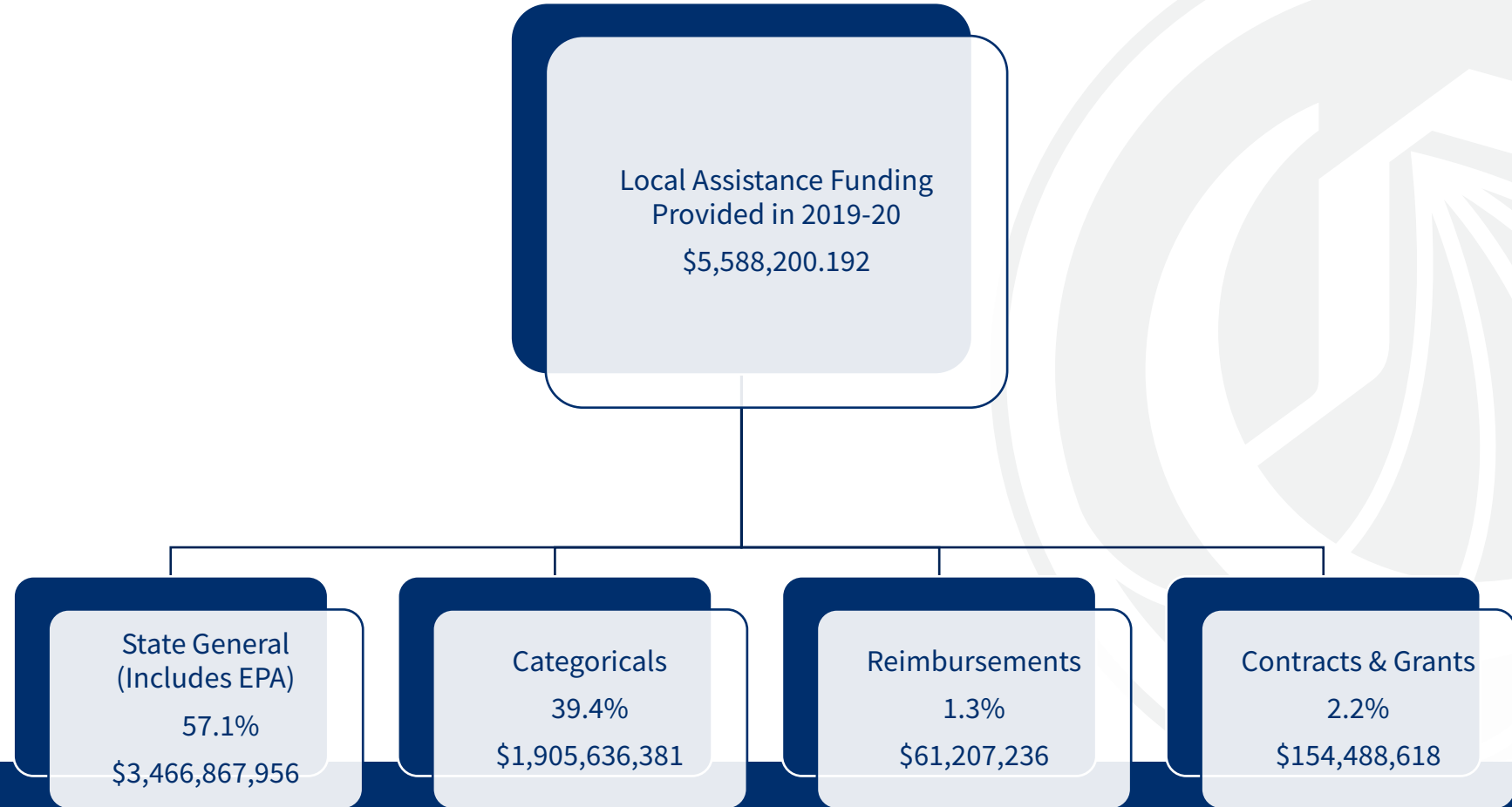
2020 Annual Budget Workshop

Categorical Program Funding Updates





Local Assistance Funding for Districts





Resources

2020-21 Budget Authority Assembly Bill No. 89 Chapter 7 Amends the Budget Act of 2020 (SB74, Ch. 7)

6870-101-0001—For local assistance, Board of Governors of the California Community Colleges (Proposition 98)..... 2,669,811,0

Schedule:

- (1) 5670015-Appportionments..... 1,243,174,000
- (2) 5670019-Apprenticeship..... 43,649,000
- (3) 5670023-Apprenticeship Training and Instruction..... 35,694,000
- (4) 5675040-Student Equity and Achievement Program..... 475,220,000

- (5) 5675019-Student Financial Aid Administration..... 75,618,000
- (6) 5675027-Disabled Students..... 124,288,000
- (7) 5675031-Student Services for CalWORKs Recipients..... 46,941,000
- (8) 5675035-Foster Care Education Program..... 5,654,000
- (9) 5675045-Legal Services..... 10,000,000
- (10) 5675061-Academic Senate for the Community Colleges..... 1,685,000
- (11) 5675069-Equal Employment Opportunity..... 2,767,000
- (12) 5675073-Part-Time Faculty Health Insurance..... 490,000
- (13) 5675077-Part-Time Faculty Compensation..... 24,907,000
- (14) 5675081-Part-Time Faculty Office Hours..... 12,172,000
- (15) 5670035-Expand the Delivery of Courses through Technology..... 23,000,000
- (16) 5675119-Economic Development..... 270,929,000
- (17) 5675123-Transfer Education and Articulation..... 779,000
- (18) 5675023-Extended Opportunity Programs and Services..... 132,691,000
- (19) 5675115-Fund for Student Success..... 53,740,000
- (20) 5675150-Campus Childcare Tax Bailout..... 3,645,000
- (21) 5675156-Nursing Program Support..... 13,378,000
- (24) 5675109-Institutional Effectiveness 27,500,000
- (25) 5675098-Integrated Technology 41,890,000

Provisions:

- 1. The funds appropriated in this item are for transfer by the Controller during the 2020–21 fiscal year to Section B of the State School Fund.

Resource

Joint Analysis: Enacted Budget,
Updated 20, 2020

Table 6: CCC Funding by Program^a (In Millions)

Program	2019-20 Revised	2020-21 Enacted	Change from 2019-20	Percent Change	Explanation of Change
Student Centered Funding Formula	\$7,430	\$7,435	\$5	0.1%	Minor technical adjustments
Deferrals--Student Centered Funding Formula	-330	-1,123	-793	240%	Shift payments to next fiscal year; 2020-21 amount reflects new deferral of \$1,453 less repayment of 2019-20 deferral
Student Equity and Achievement Program	475	475	0	-	
CCC Strong Workforce Program	248	248	0	-	
Student Success Completion Grant	150	159	9	6%	Adjust for revised estimates of recipients
Disabled Students Programs and Services (DSPS)	124	124	0	-	
COVID-19 Response Block Grant (one-time)	-	120	120	N/A	Includes \$66 million in Proposition 98 funds and \$54 million in federal funds
Extended Opportunity Programs and Services (EOPS)	116	116	0	-	
California College Promise (AB 19)	85	81	-4	-4%	Adjust for revised estimates of first-time, full-time students



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.

The Apportionment Cycle

Certification Period	SCO Issuance	Payments
Advance Apportionment	Last week of each month July - January	July through January, 60%
First Principal Apportionment	Last week of each month February - May	February through May, 32%
Second Principal Apportionment	Last week of June	June, 8%
Recalculation	Issued in the upcoming budget year along with First Principal	February of the subsequent fiscal year



The Apportionment Cycle Payment Percentages

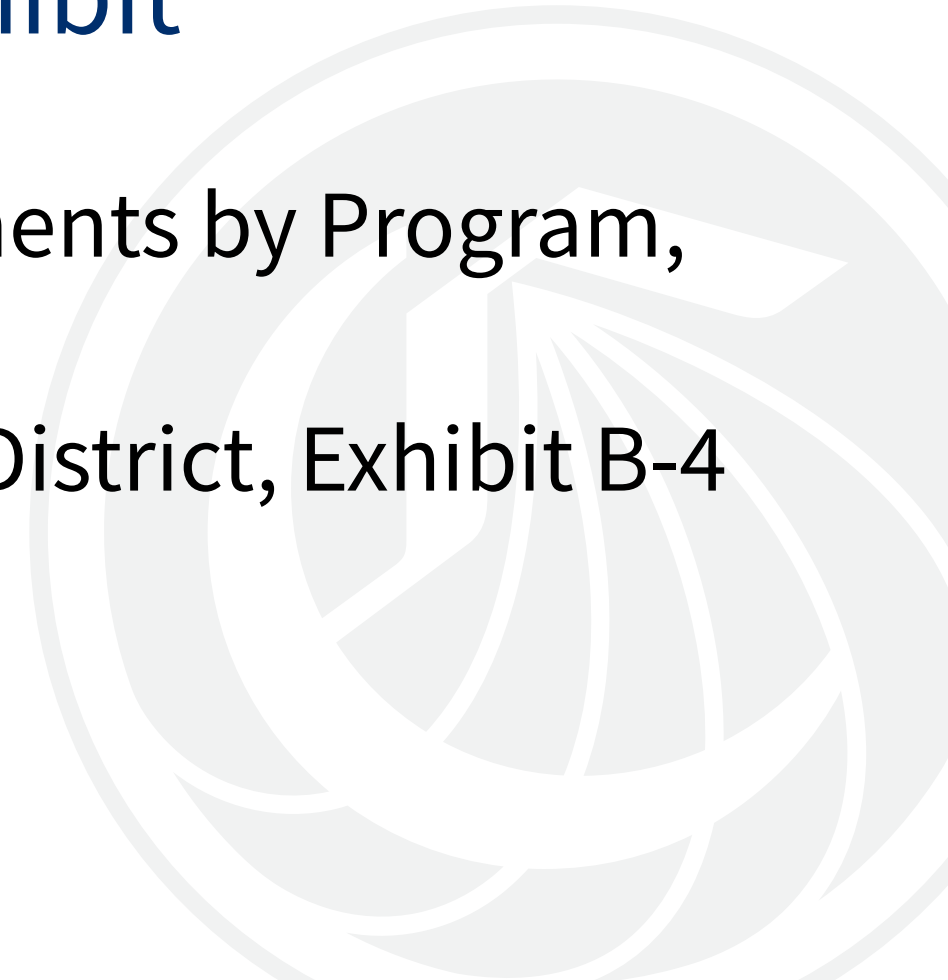
California Community Colleges
 Fiscal Apportionment Schedule Percentages
 California Code of Regulations Title 5 Section 58770 (d)

Advance (AD)			First Principal Payment (P1)		
Months Paid		% Payment	Months Paid		% Payment
July		8%	February		8%
August		8%	March		8%
September		12%	April		8%
October		10%	May		8%
November		9%	Total First Principal Paid in Percentage		32%
December		5%	Second Principal Payment (P2)		
January		8%	Months Paid		% Payment
Total Advance Paid in Percentage			June		8%
		60%	Total Second Principal Paid in Percentage		8%



Apportionment Reports – Exhibit

- District Apportionments and Payments by Program, Exhibit A
- Monthly Schedule by County and District, Exhibit B-4 (new excel)
- Projected Exhibits



Resource: Apportionment Reports

Exhibit B-4 Monthly

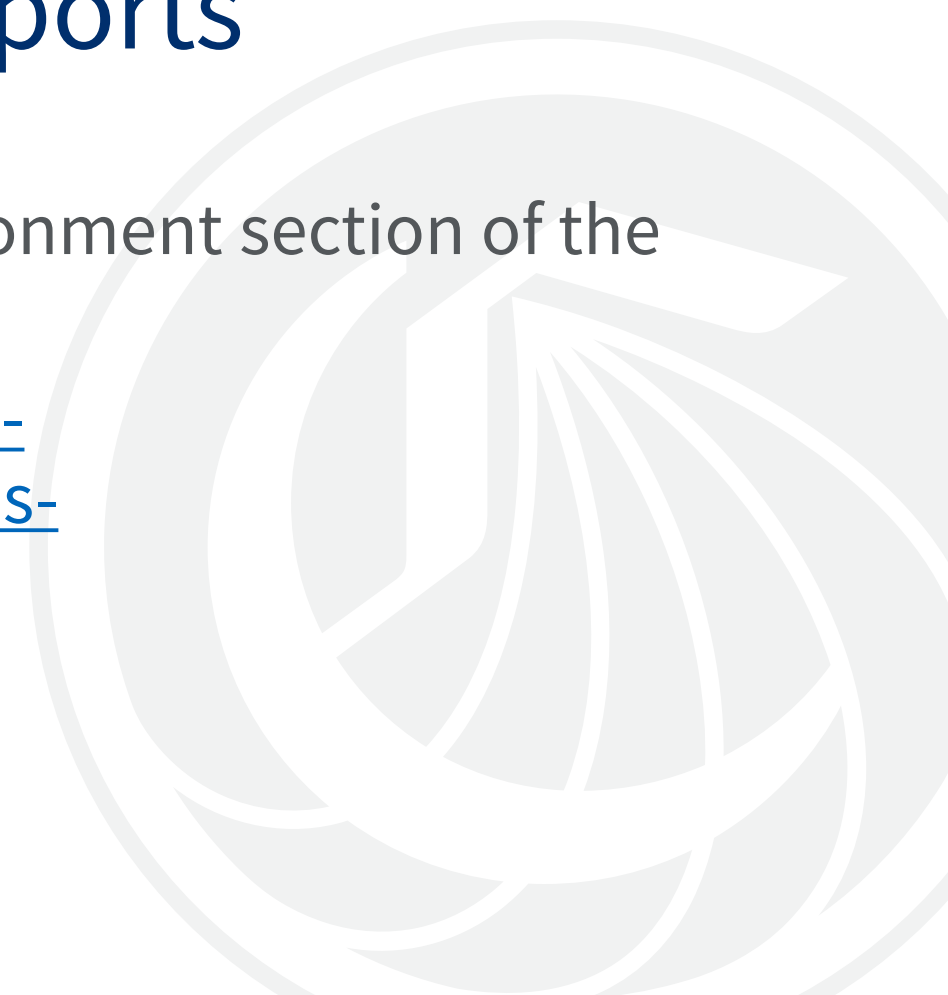
Board of Governor's of the California Community Colleges					
Community College Payment					
Fiscal Year: 2019-2020					
Issuance Period: Second Principal, June 2020					
Description: California State Constitution Article XVI of section 8(b). Allocation of funds available from part B of the State School Fund.					
For assistance, please e-mail apportionments@cccco.edu					
County	Districts	Certified	July	Total	Net
Alameda County Treasurer	Chabot-Las Positas	\$ 52,738,655.00	\$ 9,440,883.00	\$ 52,352,037.00	\$ 386,618.00
Ventura County Treasurer	Ventura	88,932,419.00	9,785,992.00	94,627,063.00	(5,694,644.00)
Yuba County Treasurer	Yuba	33,672,484.00	2,475,545.00	33,477,307.00	195,177.00
Total		\$ 4,569,707,109.00	\$ 426,281,354.00	\$ 4,569,707,109.00	\$ -



Resource: Apportionment Reports

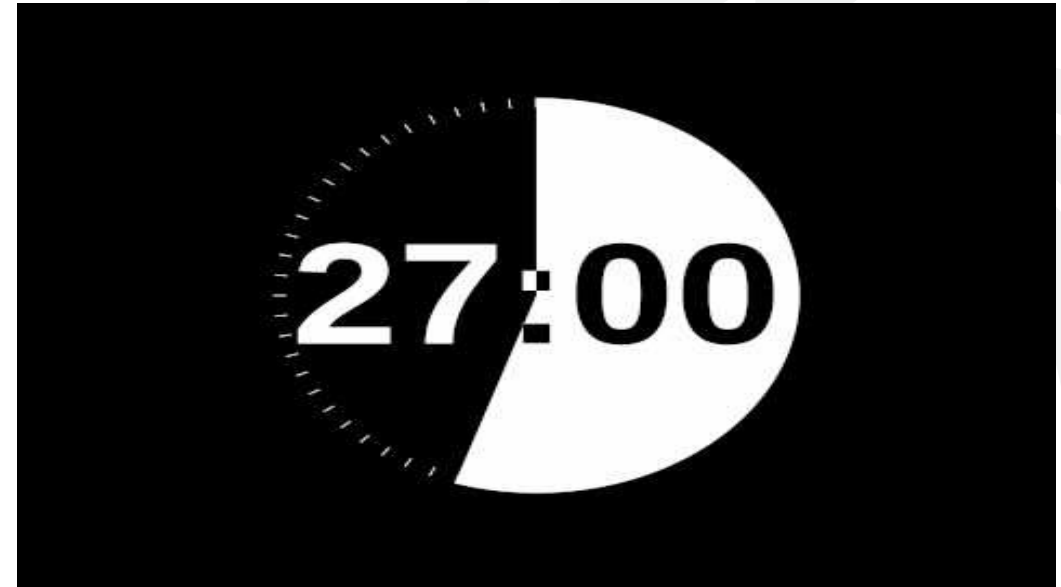
For more information please visit the Apportionment section of the Chancellor's Office website:

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



Break

- We will be back at 11:30 AM.



2020 Annual Budget Workshop

COVID-19 Response Block Grant

COVID-19 Response Block Grant

- Funding & Allocation
- Immediate Actions
 - **Certification due Monday, August 17, 2020**
 - **Register/Update Registration with SAM.gov by September 1, 2020**
- Expenditure Deadlines
- Allowable and Prohibited Uses
- Accounting & Records
- Reporting Requirements

COVID-19 Response Block Grant Funding

\$120.23 million one-time funds for activities that directly support student learning and mitigate learning loss related to COVID-19.

- \$53.975 million – CARES Act Coronavirus Relief Fund (CRF)
 - Section 5001 of the CARES Act
- \$66.255 million – Prop 98
 - \$33.210 from 2019-20 (50.12% of total Prop 98 appropriation)
 - \$33.045 from 2020-21 (49.88% of total Prop 98 appropriation)



COVID-19 Response Block Grant Allocation

Allocated to districts based on 2018-19 final reported FTES

\$53.975 million – CRF – allocated in August 2020

\$66.255 million – Prop 98 – allocation **TBD**





COVID-19 Response Block Grant Immediate Actions

Certification for Receipt of Coronavirus Relief Funds Pursuant to the Budget Act of 2020

- **due Monday, August 17, 2020 to fiscalstandards@cccco.edu**

Used for costs that:

- Are necessary expenditures incurred due to the pandemic.
- Were not accounted for in the budget approved as of March 27, 2020 for the 2019-20 fiscal year.
- Were incurred between March 1, 2020 and December 30, 2020.

Agree to:

- Adhere to federal and state guidance and health requirements.
- Provide quarterly expenditures reports, return unspent funds, and repay the state for disallowed costs.
- Retain records and participate in federal and state audits.

Register/Update Registration with [SAM.gov](https://sam.gov) by September 1, 2020



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ALERT: SAM.gov will be down for scheduled maintenance Saturday, 08/15/2020 from 8:00 AM to 10:00 PM

ALERT: CAGE is experiencing intermittent service interruptions. SAM registrants may encounter an error validating a CAGE Code. If this happens, please try again later.

[Login.gov FAQs](#)

You now need a login.gov account to sign in to SAM.

Use your existing SAM email address to create an account.

What do I need to do?

You need to create a login.gov account, if you don't already have one. Your old SAM.gov username and password won't work anymore. You'll need to:

- Create a login.gov account - you only need to do this once
- Enter an email address - use the same email address you use for SAM.gov (for system and individual federal or non-federal access)
- Have a working phone number (mobile or landline) - login.gov will send you a security code



COVID-19 Response Block Grant Expenditure Deadlines

CRF Portion

Expended or Obligated by
December 30, 2020

Prop 98 Portion

Expended or encumbered by
June 30, 2022

COVID-19 Response Block Grant CRF Expended or Obligated

- Goods or services must be received or incurred BEFORE December 30, 2020.
- Unspent and unobligated CRF funds as of December 30, 2020 will be reported on the January 5, 2021 and returned to the state at the 2020-21 P1 apportionment cycle in January 2021.



COVID-19 Response Block Grant

Examples of Obligated Funds

- If the contract terms dictate that the district receives all the masks by January 10, 2020, then this does not count as an eligible CRF expense.
- If the contractor provides \$1 million worth of PPE before December 30, 2020, but will not bill you until January 10, 2020, this does count as an eligible CRF expense.
- If the contract terms deliver \$400,000 of masks before December 30, 2020, and another \$600,000 of masks after December 30, 2020, then only \$400,000 is eligible as a CRF expense.
- If the contract terms dictate delivery of masks by November 1, 2020, but due to supply delays that are no fault of your own, the masks are not delivered until January 15, 2020. This does count is an eligible CRF expense.



COVID-19 Response Block Grant

Core Uses

- Reengagement strategies for students.
- Grants to faculty to develop online, accelerated learning modules.
- Professional development opportunities for faculty and student services professionals to support students impacted by learning loss, and to develop online instruction.
- Investments to close the digital divide such as technology infrastructure, student access, and materials for courses that are difficult to teach online.
- Supports to address other barriers to learning such as access to basic needs and mental health services.
- Cleaning supplies and PPE.



COVID-19 Response Block Grant

Allowable Uses per Federal Guidelines

- Facilitating Distance Learning
- Improve Telework Capabilities of Public Employees
- Economic Support (Other than Small Business, Housing, and Food Assistance)
- Food Programs
- Housing Support
- COVID-19 Testing and Contact Tracing
- Budgeted Personnel and Services Diverted to a Substantially Different Use
- Payroll for Public Health and Safety Employees
- Unemployment Benefits
- Workers' Compensation
- Public Health Expenses
- Personal Protective Equipment
- Medical Expenses
- Administrative Expenses
- Expenses Associated with the Issuance of Tax Revenue Anticipation Notes (TRANS)

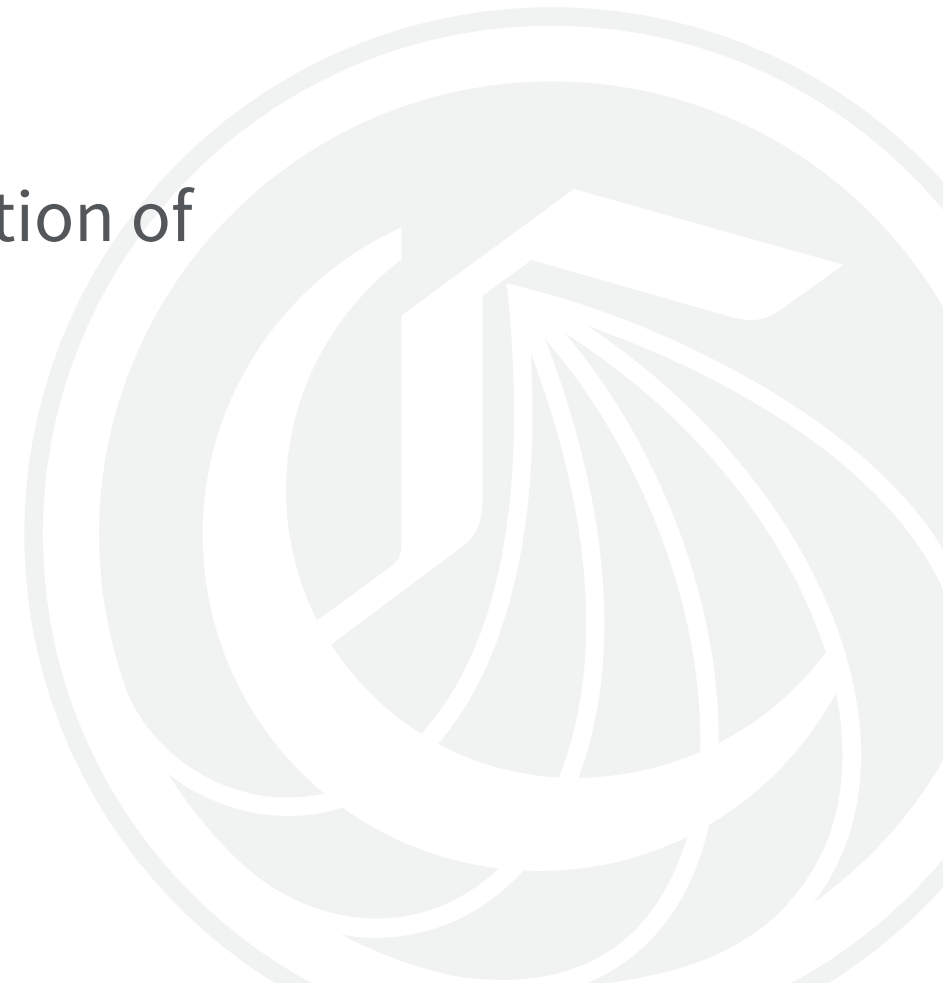
COVID-19 Response Block Grant Prohibited Uses

- Backfill of lost revenue.
- Damages covered by insurance.
- Payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency (including teleworking).
- Expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds.
- Workforce bonuses other than payment of overtime.
- Severance pay.
- Legal settlements.

Polling Question

Will your district be able to spend the CRF portion of the block grant by the December 30 due date?

- a) Yes
- b) No
- c) Not sure





COVID-19 Response Block Grant Accounting & Records

CRF Portion

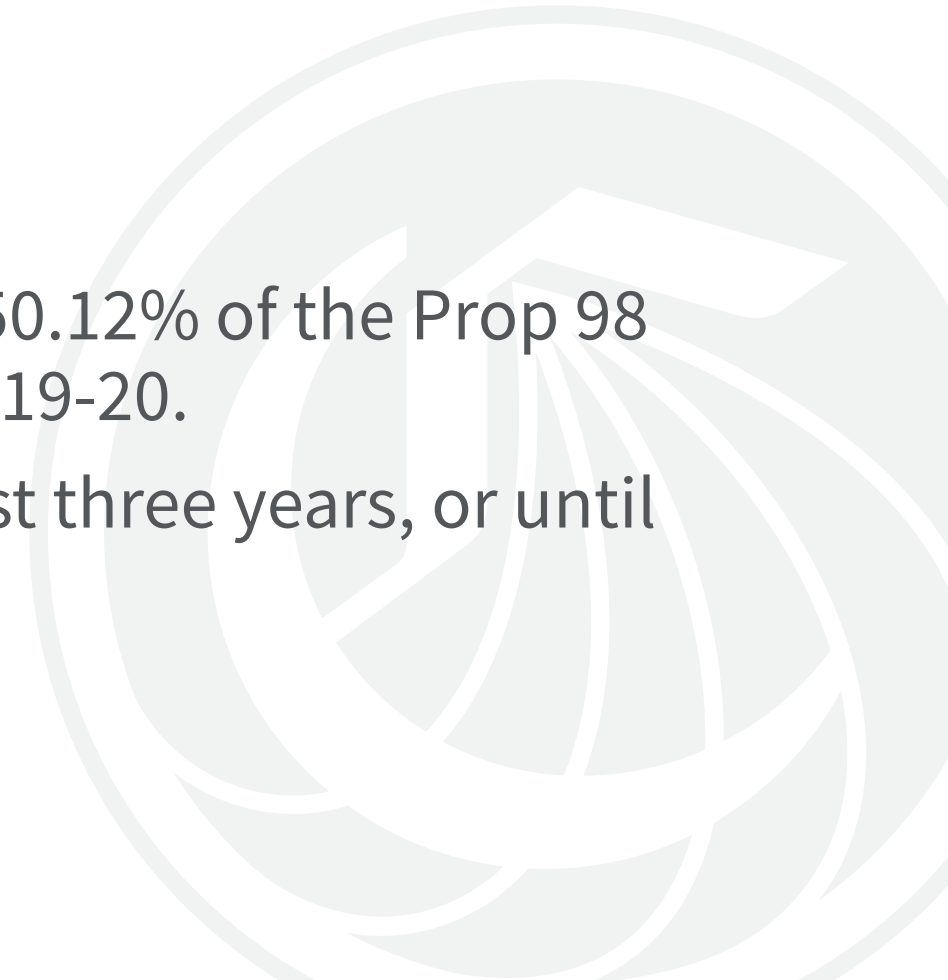
- 2020-21 Revenue.
- Expense in 2020-21 can be recorded as lump sum reimbursement for *well documented* 2019-20 expenses.
- CFDA 21.019.
- Retain all records for 5 years after final payment.
- Subject to federal single audit and state audit.



COVID-19 Response Block Grant Accounting & Records

Prop 98 Portion

- Districts may (but not required to) record 50.12% of the Prop 98 portion of the block grant as revenue in 2019-20.
- Maintain all receipts and records for at least three years, or until after any audit has been resolved.
- Subject to state audit.





COVID-19 Response Block Grant Reporting Requirements

Quarterly and Final Reports due to Chancellor's Office

Submit on template provided to fiscalstandards@cccco.edu

- Summary of funds received.
- Expenditures for allowable activities.
- Funds provided to colleges in multi-college districts.
- How the use of funds prioritized services for underrepresented students.
- Description of the effectiveness of services or supports provided by these funds.



COVID-19 Response Block Grant Anticipated Report Due Dates

REPORT DUE TO CHANCELLOR'S OFFICE	FINANCE REPORT DUE TO TREASURY	REPORTING PERIOD
Monday, September 7, 2020	Monday, September 21, 2020	March 1 through June 30, 2020
Monday, October 5, 2020	Tuesday, October 13, 2020	July 1 through September 30, 2020
Tuesday, January 5, 2021	Monday, January 11, 2021	October 1 through December 31, 2020
Monday, April 5, 2021	Monday, April 12, 2021	January 1 through March 31, 2021
Monday, July 5, 2021	Monday, July 12, 2021	April 1 through June 30, 2021
Monday, October 4, 2021	Monday, October 11, 2021	July 1 through September 30, 2021
Monday, October 10, 2022	N/A	October 1, 2021 through June 30, 2022

COVID-19 Response Block Grant CCCCO Reports to Legislature

Report on CRF portion due to Legislature March 1, 2021

Report on Prop 98 portion due to Legislature December 1, 2023

- Amount of funds provided for each college.
- Description of how funds were used for purposes outlined in the 2020 Budget Act.
- Statement of reasons describing how the funds prioritized services for underrepresented students.
- Explanation of the effectiveness of services or supports provided by the funds.

COVID-19 Response Block Grant Resources

- [U.S. Treasury Coronavirus Relief Fund webpage](#)
- [Coronavirus Relief Fund Guidance \(updated 6/30/2020\)](#)
- [Coronavirus Relief Fund Frequently Asked Questions](#)
- [Coronavirus Relief Fund Reporting and Record Retention Requirements](#)
- [Coronavirus Relief Fund Reporting Requirements Update](#)
- [Chancellor's Office COVID-19 Response Block Grant webpage](#)

COVID-19 Response Block Grant

Q & A



2020 Annual Budget Workshop

Planning for Strong Fiscal Health





2020-21 Budget Workshop

California Community College Chancellor's Office

August 14, 2020

Michael H. Fine
Chief Executive Officer, FCMAT

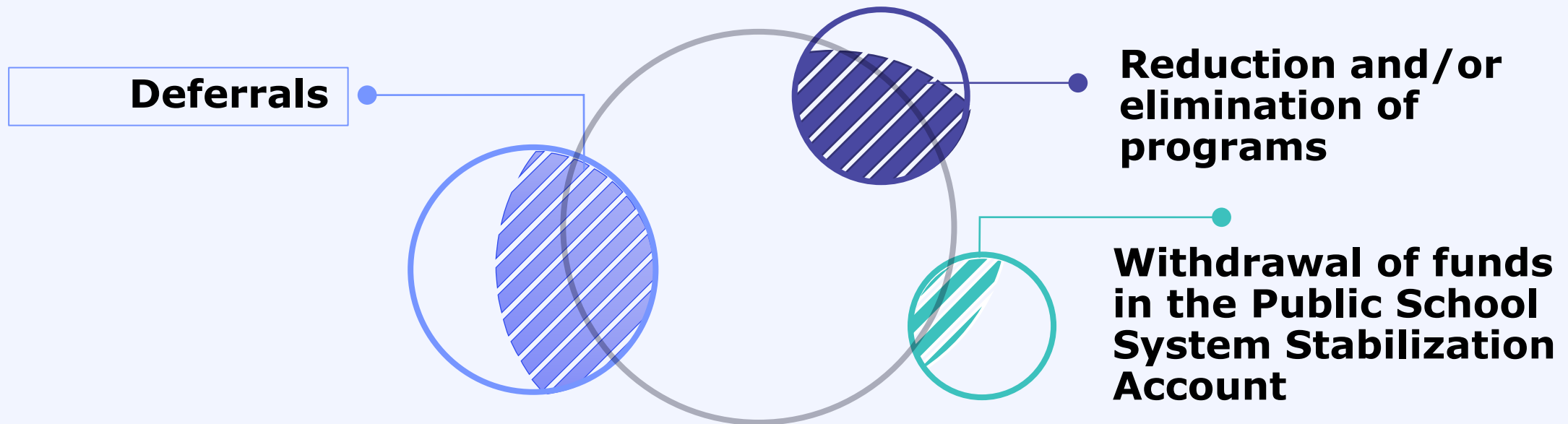
Adapted from a presentation by School Services of California, FCMAT and
California School Financing Authority

What is FCMAT and What Does it Do?

- We are education professionals serving K-14 and county offices of education
- The Fiscal Crisis and Management Assistance Team (FCMAT) staff provides county offices of education, school districts, community colleges and charter schools the following services:
 - Management assistance
 - Technical assistance
 - Professional development
 - Fiscal crisis intervention
 - AB 139 audits
 - Data management support
- We are a part of your support system

Proposition 98 Minimum Guarantee

- Proposition 98 funding levels have decreased significantly in both 2019–20 and 2020–21, resulting in an almost 10% reduction over the three-year period
 - ✓ Even with significant year-over-year decrease community colleges are not experiencing significant cuts due to:



Apportionment Deferrals

What Are They?

- Budget deferrals allow the state to record a budget cut in one year and move the expense to the next year

Impact to Proposition 98

- This entry then reduces the appropriated Proposition 98 amount in the deferral year and increases Proposition 98 appropriations in the next year

You Can Have Both Budget and Cash Deferrals

- June to July deferrals are cash deferrals, part of which are budget deferrals
- February through May deferrals are both cash and budget deferrals

What is Cash and Cash Flow?

- Cash is the result of what actually happens—the real world
- Cash flow is the difference between the available cash balance at the beginning of a period (i.e., a month) compared to the available cash balance at the end of the of the period
 - ✓ The actual inflow and outflow of funds
 - ✓ “Cash position” is balance at the end of the period
- Negative cash positions can be mitigated by borrowing

What is Cash Insolvency?

- Cash insolvency occurs when payroll expense exceeds available cash, and all options for borrowing have been exhausted
- Cash insolvency is a function of deficit spending, erosion of fund balance and sustained negative cash flow over time
- Cash is king! Cash shows no mercy! Cash insolvency is the end of road — game over— and is usually the trigger point for an emergency appropriation and the resulting changes in governance

Budget vs. Cash Flow

• Budget

- Annual
- Anticipated revenue/source, expenditures/uses and reserves
- Generally Accepted Accounting Principles regarding recognizing revenues, accruals
- 311 report and quarterly updates
- Fund specific

• Cash Flow

- Monthly (sometimes weekly)
- Actual receipts, disbursements and available funds in the county treasury
 - ✓ Forecast: annual data with time factors such as apportionment schedules
- Cash and budget are equalized with accruals (e.g., receivables and payables)
- Monthly updates; first sign of fiscal distress
- All funds

Fiscal Health Risk Analysis (FHRA)

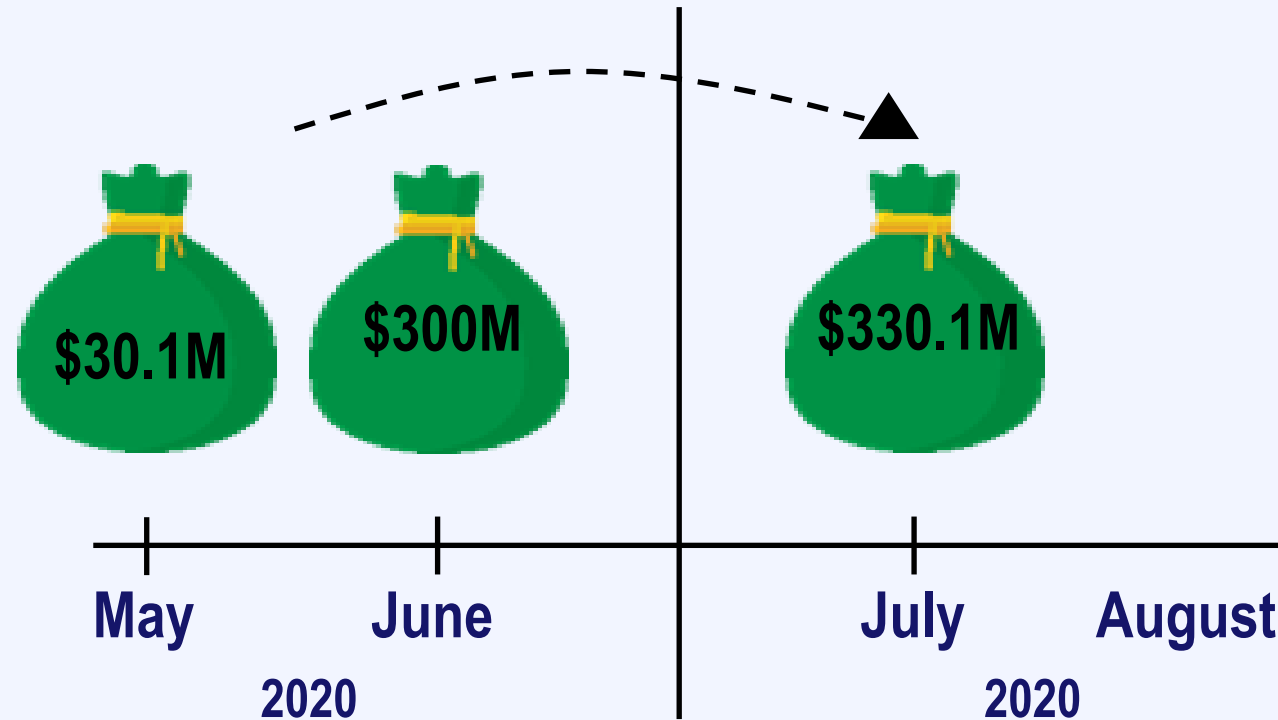
High Risk	High Risk	Low Risk
Budget Development and Adoption	Fund Balance and Reserve for Economic Uncertainty	Annual Independent Audit Report
Budget Monitoring and Updates	General Fund – Current Year	Facilities
Cash Management	Information Systems and Data Management	
Collective Bargaining Agreements	Internal Controls and Fraud Prevention	
Intrafund and Interfund Transfers	Leadership and Stability	
Deficit Spending	Multiyear Projections	
Employee Benefits	Non-Voter-Approved Debt and Risk Management	
Enrollment and Attendance	Position Control	

FCMAT'S Indicators of Risk or Potential Insolvency

- Unreliable budget development
- Insufficient budget monitoring or updates
- Inadequate cash management
- Mismanaged collective bargaining agreements
- Increasing and/or unplanned transfers
- Continued deficit spending
- Mismanaged employee benefits
- Inattention to enrollment and attendance reporting
- Decreasing fund balance and reserve for economic uncertainty
- Ineffective internal controls and fraud prevention
- Breakdown in leadership and communication
- Lack of multiyear planning
- Inattention to non-voter-approved debt and risk management
- Lack of position control
- Related issues of concern
 - Untimely and inaccurate information
 - Annual independent audit findings
 - Facilities master plan out of date
 - Poor data quality

Community College Deferrals: 2019-20

Cash Deferrals 2019-20 (in millions)



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What is being deferred?

- The deferral includes state aid that would normally be issued to community colleges in May and June 2019:
 - Student Centered Funding Formula (SCFF)
 - Selected categorical programs
 - . . . and more

The deferral does not impact:

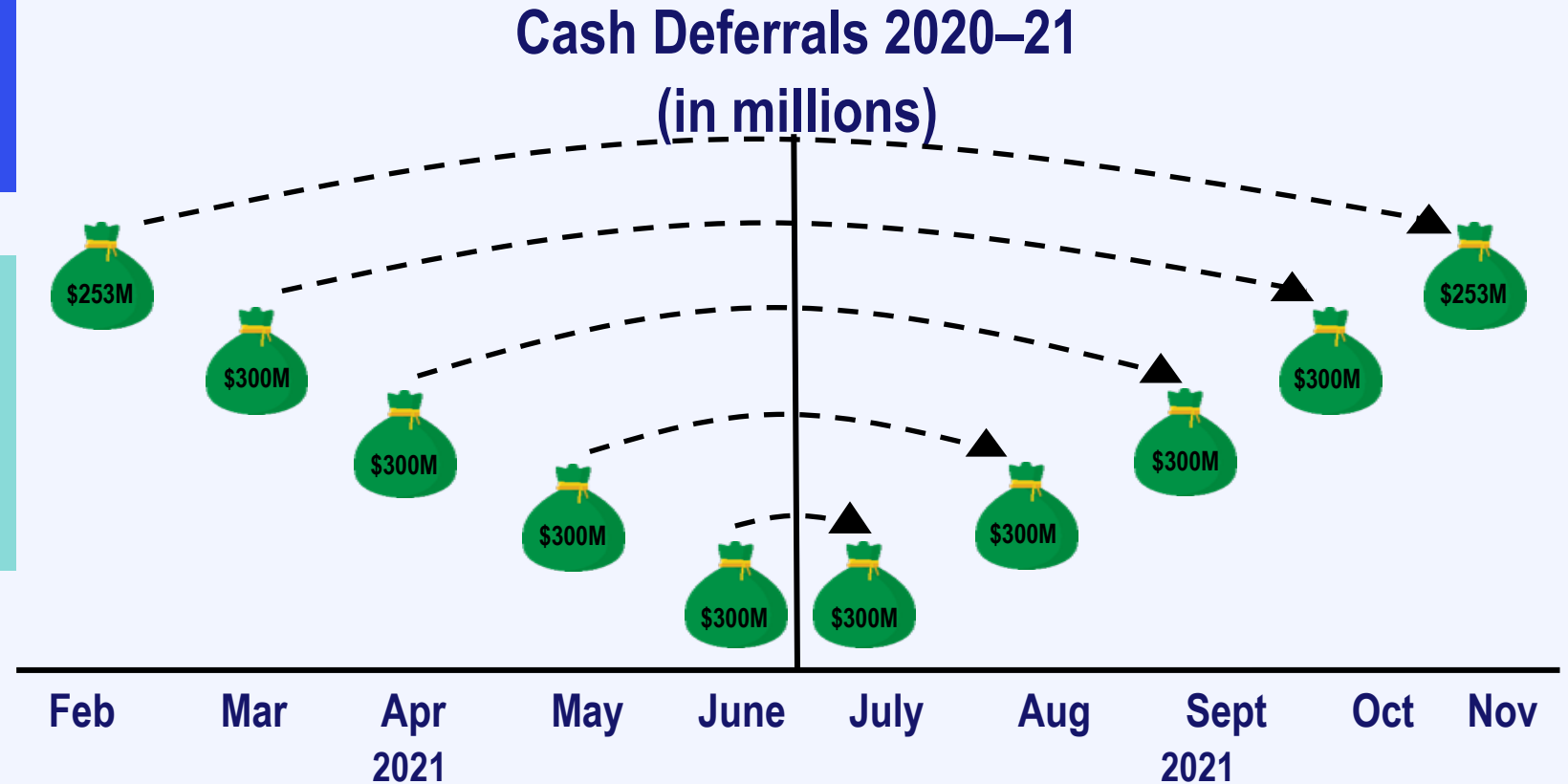


- Local property tax collections
 - However, these will be affected by other recent actions by our policy makers
- Education Protection Account (EPA) funds
 - However, these were over-appropriated in 2019–20, which is deducted from state aid

Community College Deferrals: 2020-21

The Budget agreement requires the following schedule for deferred payments totaling \$1.45 billion:

The Budget agreement provides that if sufficient federal funds materialize by fall, then \$791.1 million would not be deferred



Deferrals and Cash Flow

- Apportionment schedule for CCDs is weighted heavier to the first half of the fiscal year, leaving less during the deferral period
 - ✓ State Chancellor has authority to defer a mix of apportionments in order to meet the targeted amount; and
 - ✓ Adjust the monthly deferral schedule to increase a given month's amount if it ensures a shorter time between deferral and repayment

Policy Considerations

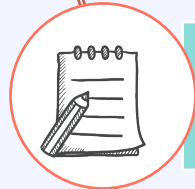
- Apportionment deferrals raise several major policy considerations
 - ✓ Low property wealth districts are hit hardest by deferrals because they rely heavily on the state aid component of the SCFF
 - These districts are forced into short-term borrowing and must incur the associated costs
 - Also, resources allocated to buying down deferrals are not available for restoration of past program cuts or for funding new programs

Projections and Monitoring are Key

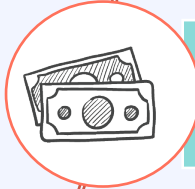
- **How does a CCD make sure they have enough cash to make payroll and pay the bills?**



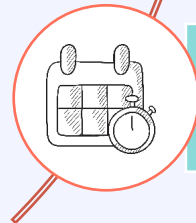
- **Prepare cash flow projections going out 18 to 24 months**



- **Prompt monthly reconciliation of cash and all other general ledger accounts**



- **Updating the cash flow projection with the actuals as each month closes**



- **Re-projecting cash receipts and disbursements for the rest of the months**

Key Steps in Preparing and Monitoring

• Preparation

- 311 reports
 - ✓ Cash flow not required
- Balance to budget
- Ensure accuracy based on historical information, updated for new apportionment schedules and expenditure plans
- 18 months minimum, 24 months better
- All funds

• Monitoring

- Timely
- Monthly (sometimes weekly) posting of actuals and reconciliation
 - ✓ Don't forget balance sheet accounts (accounts receivables and payables)
- Updating 18- / 24-month view as actuals are posted
- Updating forecast as information changes

Diminishing Cash as a Portion of Fund Balance

Description	CA (Object)	11	12	10
		General Fund Unrestricted	General Fund Restricted	General Fund COMBINED
ASSETS				
Cash, Investments, and Receivables	9100			
Cash:				
Awaiting Deposit and in Banks	9111	1,385,165	437,141	1,822,306
In County Treasury	9112	17,059,830	312,535	17,372,365
Cash With Fiscal Agents	9113			0
Revolving Cash Accounts	9114	6,000		6,000
Investments (at cost)	9120			0
Accounts Receivable				
Due from Other				
Inventories, Stores				
Inventories and Prepaid Items				
TOTAL ASSETS				
LIABILITIES				
Current Liabilities				
Accounts Payable				
Accrued Salaries				
Compensated Absence				
Due to Other Funds				
Temporary Loans				
Current Portion of Long-Term Debt				
Deferred Revenue				
TOTAL LIABILITIES				
FUND BALANCE (NON-GASB 54)				
Fund Balance Reserved	9710			0
NonCash Assets	9711			0
Amounts Restricted by Law for Specific Purposes	9712			0
Reserve for Encumbrances Credit	9713			0
Reserve for Encumbrances Debit	9714			0
Reserve for Debt Services	9715			0
Assigned/Committed	9754		1,999,485	1,999,485
Unassigned	9790	7,144,515		7,144,515
Total Fund Balance		7,144,515	1,999,485	9,144,000
FUND BALANCE (GASB 54)				
Nonspendable Fund Balance	9750			0
Restricted Fund Balance	9751			0
Committed Fund Balance	9752			0
Assigned Fund Balance	9753			0
Assigned Fund Balance	9754			0
Total Designated Fund Balance		0	0	0
Uncommitted Fund Balance	9790			0
TOTAL FUND EQUITY		7,144,515	1,999,485	9,144,000
TOTAL LIABILITIES AND FUND EQUITY		20,659,939	3,329,064	23,989,003

Cash Balance: \$17,372,365

Ending Fund Balance \$9,144,000

Deferral Exemption

- District certifies to State Chancellor and Department of Finance that the district cannot meet obligations for month of deferral or subsequent months
- For community college districts:
 - ✓ Certification shall be based on the criteria used qualify for an emergency apportionment
 - ✓ May receive no more than the lesser of: 1) amount needed to meet obligations, or 2) the amount the district was entitled to receive with the deferral
- \$30 million maximum exemption per month (all CCDs)
 - ✓ May be up to \$60 million under certain circumstances

Options for Cash Borrowing

- Review projected cash balances at the end of each month and determine whether cash is expected to be either negative or near zero
 - ✓ If so, how will cash needs be met?
 - Temporary interfund borrowing
 - Borrowing from the county office of education
 - Borrowing from the county treasurer
 - Tax and Revenue Anticipation Notes (TRANs)

Internal Cash Borrowing

- Alternative liquidity is available cash resources in other internal funds
- Borrowing cash from other funds to satisfy temporary shortfalls in operating cash is common practice
- Borrowed funds shall not be available for appropriation or considered income to the borrowing fund—not about budget deficits, but cash shortfalls
- Only limitations are locally established practices and policy
 - ✓ Best practice is to follow K-12 E.C. 42603 / 42603.1

Internal Cash Borrowing

- Borrowing from bond proceeds is not advisable and, under some circumstances, may be inappropriate
- Local decision made in concert with bond counsel considering:
 - ✓ Potential loss of tax-exempt status of bonds
 - ✓ Potential loss of direct subsidy payments
 - ✓ Disclosure violations

External Cash Borrowing

- Selected external sources of temporary cash include:
 - County superintendent of schools
 - ✓ Borrowing: EC § 85221
 - ✓ Conditional advance apportionment: EC § 85222
 - County treasurer
 - ✓ County treasurer is LEA treasurer
 - ✓ Limitations on amount and timeline
 - ✓ Calif Constitution, Article XVI, Section 6, and EC § 85220
 - Financial Markets
 - ✓ TRANS

Tax and Revenue Anticipation Notes (TRANs)

- TRANs are a short-term cash management tool for the general fund, typically issued on tax-exempt basis (may be taxable)
- Characteristics of tax-exempt TRANs:
 - ✓ Issued to even out temporary cash deficits (a) in advance of property tax receipts or (b) due to deferred state payments of SCFF revenues (not “structural” budget deficits)
 - ✓ Projected cash deficit must be within six months of issuance
 - ✓ TRAN sized to cover maximum cash deficit plus minor working capital reserve (up to 5% of last FY’s expenditures)
 - ✓ Repaid within 13 months of issuance from same FY’s revenues with set-aside dates in advance of final maturity
 - ✓ Deferrals in February – June 2021 will cause districts to hit their low cash point sometime in May and June

Source: Montague DeRose and Associates

One Source for Borrowing: CSFA

- Established in 1985, California School Finance Authority is one of 16 boards, commissions, and authorities within the State Treasurer's Office
 - ✓ Chaired by Treasurer Fiona Ma, CPA; Director of Finance Keely Martin-Bosler serving as member
 - ✓ Has disbursed, through grant and debt programs, over \$4 billion to K-12 schools since 2002
- A governmental entity governed by a three-member board
- Helps California TK-12 schools, community colleges and county office of education finance the construction, remodeling, and renovation of projects; acquire property; refinance debt; and secure working capital for cash flow purposes

Source: CSFA

CSFA as Conduit Bond/Note Issuer

- The CSFA Act (Ed. Code 17170 – 17199.6) provides the Authority with broad statutory authority to issue short- to long-term debt on a stand alone or pooled basis
 - ✓ Intercept Mechanism (Section 17199.4) improves investor security, lowers borrowing costs, ensures timely payments
 - ✓ Public Finance Division as Agent for Sale oversees the bond/note pricing process
 - ✓ Attorney General's Office as Issuer's Counsel
 - ✓ Monthly board meetings, with flexibility to hold special meetings
 - ✓ No-Cost TEFRA hearings
- CSFA is mission driven; not transaction driven
 - ✓ Governmental entity – not a third-party joint powers authority
 - ✓ Best practices and bond issuance guidelines
 - ✓ Low issuer and administrative fees

Source: CSFA

Questions?

Thanks to CFFP Team

- Rafael Artiga, Associate Governmental Program Analyst
- Hilary Thomson, Associate Governmental Program Analyst
- Samia Alkam, Fellow
- Wrenna Finche, Director of Fiscal Standards and Accountability
- Lorena Romero, Specialist
- Keith Nezaam, Director of Fiscal Services Unit
- Randy Fong, Specialist
- Patricia Servin, Specialist
- Jubilee Smallwood, Specialist

Reminders

- Download the Virtual Budget Workshop Binder
- Watch for our email about the Fiscal & Policy Webinars
- Visit our website for resources and budget news:
<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Budget-News>

2020 Annual Budget Workshop

Thank you for joining!

