



California Community Colleges

MEMORANDUM

Apportionments 19-05 | Via Website

June 30, 2020

TO: Chief Executive Officers
Chief Business Officers
District Staff

FROM: Fiscal Services Unit
College Finance and Facilities Planning Division

RE: 2019-20 Second Principal Apportionment and Prior Year Revisions

The 2019-20 Second Principal (P2) apportionment calculations for the Student Centered Funding Formula (SCFF) and various categorical programs are available and reflected in June disbursements. These disbursements also reflect minor revisions to prior year SCFF and categorical program funding allocations. Associated exhibits are available on the Chancellor's Office [Fiscal Services Unit Apportionment Reports website](#). Generally, the Chancellor's Office releases apportionment memorandums three times per year:

- First Principal Apportionment (P1) and Recalculation - February
- P2 Apportionment - June
- Advance Principal Apportionment - July

For questions on the SCFF calculations or any general issues covered by this memorandum, please contact the Fiscal Services Unit at apportionments@cccco.edu. For questions on specific categorical program disbursements included in P2, please contact the appropriate staff identified in the contact list at the end of this memorandum.

2019-20 P2

EXHIBITS

- District Monthly Payments by Program, Exhibit A
- County Monthly Payment Schedule, Exhibit B-4
- 2019-20 SCFF Total Computational Revenue by District, Exhibit C

BACKGROUND

Normally, P2 is a general update to the SCFF and other categorical program funding that reflects updated full-time equivalent students (FTES), property tax, and enrollment fee data; however, 2019-20 is not a normal year. The impacts of campus closures and economic decline due to COVID-19 have required significant protections on applicable FTES data and resulted in a significant decline in anticipated Education Protection Account (EPA) funding. This, in combination with our system's lack of a continuous appropriation, results in a significant point-in-time revenue deficit that will largely be resolved once additional revenues are appropriated and available for expenditure in the 2020-21 Budget Act and associated legislation. These issues are discussed in detail below.

GENERAL ADJUSTMENTS

Notable adjustments made at P2 include the following:

- Updated offsetting revenues, including county reported property taxes and district reported student enrollment fees.
- Updated FTES data, including the option to receive funding based on FTES data reported at P1.
- Finalized applicable rates within the base, supplemental, and student success components of the SCFF.
- Decrease in EPA funding which will be resolved in the 2020-21 budget year.
- Updated supplemental and student success data.
- Updated the display of FTES activity on the Exhibit C.
- Other minor adjustments.

2019-20 RATES

Statute required the Chancellor's Office to calculate the standard credit FTES rate (including associated rates for districts with differential standard FTES rates) and the 27 different rates used in the supplemental and student success components of the SCFF based on the total computational revenue (TCR) specified by the Department of Finance.

While statute provided general guidance on the methodology to calculate SCFF rates, the Chancellor's Office worked with the Department of Finance to ensure alignment with the intent of the SCFF and a general agreement on interpretation of the statute. The general intent of statute was to set rates in a manner that reflects a 70, 20, and 10 percent of the TCR distribution in the base, supplemental, and student success components of the SCFF, respectively. The base allocation includes not only standard credit FTES (subject to a new calculated rate), but also includes four other FTES categories and basic allocations that generally continue to be funded as they were under the former funding formula (SB 361). The calculations completed at P1 have been modified slightly due to changes in FTES, supplemental and student success data, and available revenue. These rates are now memorialized in statute, are used in the calculation of P2, and displayed in the Exhibit C. Statute specifies that rates will increase by cost of living adjustments (COLA) as appropriated in subsequent budget acts; however, the 2020-21 Budget Act does not provide a COLA.

COVID-19 FTES EMERGENCY CONDITIONS ALLOWANCE PROTECTION

In March 2020, Governor Newsom imposed a statewide closure of buildings for nonessential entities, including the California Community Colleges. Although instruction continued where possible via online platforms, enrollment declined systemwide. The Chancellor's Office issued an emergency conditions allowance memorandum (FS20-06) giving districts' authority to use FTES data reported at P1 rather than reported P2 FTES for purposes of SCFF funding. Forty nine districts have elected to use P1 FTES data which is reflected and displayed in the updated Exhibit C.

AVAILABLE RESOURCES

In 2019-20, because the Chancellor's Office was tasked with setting rates based on the TCR used in the development of the 2019 Budget Act, the P2 calculated TCR is nearly identical to what was estimated and does not contribute to a revenue shortfall. However, variances in estimated EPA funds, property taxes, and enrollment fees used by the state to determine our General Fund need, a lack of a continuous appropriation, and increases in General Fund that were not available at the time of certification have generated a shortfall of \$547 million at P2. The majority of this shortfall is temporary in nature and will be addressed via a revision to P2 once General Fund is appropriated as a part of the 2020-21 Budget Act, and made available for disbursement at the State Controller's Office. We anticipate being able to disburse these additional funds in July or August.

While California Community Colleges still do not have a continuous appropriation (automatic backfill) for funds like EPA, property taxes, and student fees, in the manner K-12 does, our system sometimes receives backfills of needed General Fund through actions in the subsequent budget act. That is the case with the 2020-21 Budget Act which provides a backfill of General Fund that will largely eliminate the shortfall but was subject to the annual budget act timeline and enactment. The P2 SCFF apportionment certification was due by the middle of June and is largely a point-in-time calculation based on laws in place at the time of certification. Consequently, P2 does not include the 2019-20 General Fund increases for the SCFF since those funds are included in the 2020-21 Budget Act and associated legislation (SB 74, AB 89, and AB 76) which had not been enacted at the time apportionment certifications were due.

The primary cause of this significant shortfall is a decrease in 2019-20 EPA funding of \$455 million (\$977 million down to \$522 million). This reduction takes effect immediately because, although it is continuously appropriated, the backfill of General Fund to account for this decrease is not. Further, despite increases in reported offsetting property taxes and enrollment fees between P1 and P2, there is still a shortfall of \$64 million and \$18 million, respectively, relative to values used by the Department of Finance and the Legislature when the 2019-20 Budget Act was enacted.

Districts have already received \$732 million in 2019-20 EPA payments resulting in about \$210 million in payments over the revised EPA estimate. Consequently, no fourth quarter 2019-20 EPA payments will be made. Payments in excess of the 2019-20 revised estimate will be accounted for by offsetting the first quarter 2020-21 EPA payments in September.

While not ideal, this is a temporary partial reduction of the SCFF revenue deficit displayed at P2 until a P2 revision can be completed once funds are available at the State Controller’s Office. **Appropriate adjustments to district apportionments will be made through a P2 revision in July or August to allocate the General Fund backfill.**

Table 1 illustrates the changes in SCFF calculations and offsetting revenues from P1 to P2 and as compared to what was assumed at the 2019-20 Budget Act.

Table 1

2019-20 P2 (rounded in millions)	2019-20 Budget Act	2019-20 P1	2019-20 P2	Budget Act to P2 Difference
Base	\$5,096	\$5,184	\$5,192	\$ 96
Supplemental	1,414	1,390	1,389	(24)
Student Success	798	695	695	(104)
Total	\$7,308	\$7,269	\$7,276	(\$32)
Hold Harmless	122	155	157	35
Total Computational Revenue	\$7,430	\$7,424	\$7,433	\$2
Available Revenues				
General Fund	\$2,731	\$2,731	\$2,730	(\$2)
Net Offsetting EPA	985	977	522	(462)
Net Offsetting Local Property Tax	3,244	3,029	3,180	(64)
Enrollment Fees	466	432	448	(17)
Other Offsetting Revenues	4	5	4	0
Total Available Revenues	\$7,430	\$7,174	\$6,886	(\$545)
Surplus (Shortfall)	\$ 0	(\$250)	(\$547)	(\$547)

REVENUE DEFICIT METHODOLOGY

To align General Fund disbursements with available resources, a proportional reduction to most districts is required. Because excess tax districts do not receive General Fund, with the exception of required minimum EPA payments and 2015-16 Full-Time Faculty Hiring allocations, they do not participate in the proportional reduction. Consistent with past practice, revenue deficits are resolved through a proportional reduction to TCR, which proportionally decreases General Fund allocations. This reduction is not an official reduction to TCR, rather it is only used as the basis to apply the proportional reduction applicable district General Fund.

Challenges with revenue estimates are a long-standing issue for our system, which we have attempted to resolve through discussions with the Governor and Legislature. Unlike K-12 education funding, there is no automatic backfill or continuous appropriation to protect community colleges from variances in revenue estimates. We will continue to work with the Governor and the Legislature to seek an automatic adjustment to General Fund revenues to offset any misaligned estimates used in the budget process to provide improved funding predictability for our system. As noted in the P1 memorandum, P1 revenues have historically been reported by counties and districts lower than what is ultimately reported at R1. Further, depending on the magnitude of the variance, the Governor and Legislature have backfilled offsetting revenue shortfalls with additional General Fund dollars as is the case this year.

DEFERRALS

Similar to the reason the 2019-20 General Fund backfill could not be included at P2, the deferral of \$330 million from 2019-20 to 2020-21 is not included at P2 because the statute requiring the deferral was not in law at the time of certification. We will provide an update on how to account for the 2019-20 deferrals based on statute and the method used by the Department of Finance to reflect the 2019-20 savings created by the deferrals when we have additional information.

CORRECTIONS

The corrections noted below are reflected in prior year exhibits, are accounted for at P2 as a prior year adjustment, and/or are used in 2019-20 P2 calculations. They include the following:

- Overstated 2017-18 incarcerated credit FTES was corrected for Lake Tahoe CCD.
- Understated 2018-19 supplemental and student success headcounts related to emergency conditions protection were corrected for Butte-Glenn CCD.
- Overstated 2018-19 hold harmless protection level was corrected for Sonoma CCD.
- An overpayment related to overstated (20.00) 2017-18 noncredit FTES was corrected for Sonoma CCD.
- Two districts (Gavilan CCD and Los Angeles CCD) had minor adjustments related to audit findings for over reported 2018-19 FTES.

PRIOR YEAR ADJUSTMENTS

EXHIBITS

- 2018-19 District Monthly Payments by Program, Exhibit D
- 2018-19 June 2020 Recalculation by District, Exhibit C
- 2017-18 District Monthly Payments by Program, Exhibit D

BACKGROUND

The 2018-19 June Recalculation includes minor revisions associated with 2018-19 audit findings and other minor adjustments. Additionally, there are some updated certifications to several categorical programs in 2018-19 and 2017-18. See exhibits for details.

CONTACTS

For any general questions regarding this memorandum, please contact the Fiscal Services Unit at apportionments@cccco.edu. For questions regarding specific categorical programs, please contact the appropriate staff specified below.

Contact List for Categorical Programs

Program	Name	Email Address	Phone #
Access to Print and Electronic Info	Linda Vann	lvann@cccco.edu	(916) 322-3234
Adult Education Block Grant	Neil Kelly	nkelly@cccco.edu	(916) 324-8895
Apprenticeship Allowance	Nick Esquivel	nesquivel@cccco.edu	(916) 445-4670
Cooperative Agencies Resources for Education	Jillian Luis	jluis@cccco.edu	(916) 322-5246
California College Promise	Ruby Nieto	rnieto@cccco.edu	(916) 322-4300
CalWORKs	Karen Baker	kbaker@cccco.edu	(916) 445-8504
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College Promise (BOG Fee Waivers Admin)	Ruby Nieto	rnieto@cccco.edu	(916) 322-4300
College Rapid Rehousing	Colleen Ganley	cganley@cccco.edu	(916) 323-3865
College Specific Allocations	Jubilee Smallwood	jsmallwood@cccco.edu	(916) 327-6225
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Deaf and Hard of Hearing	Linda Vann	lvann@cccco.edu	(916) 322-3234
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Extended Opportunity Programs and Services	Jillian Luis	jluis@cccco.edu	(916) 322-5246
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Integrated Technology	Gary Bird	gbird@cccco.edu	(916) 327-5904
K12 Strong Workforce	Sandra Sanchez	ssanchez@cccco.edu	(916) 322-0935
Maintenance Allowance	Wrenna Finche	wfinche@cccco.edu	(916) 445-8026
Nextup	Colleen Ganley	cganley@cccco.edu	(916) 323-3865
Nursing Education	Brenda Fong	bfong@cccco.edu	(916) 323-2758
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PT Office Hours	Michael Yarber	myarber@cccco.edu	(916) 322-5815
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State Hospital	Linda Vann	lvann@cccco.edu	(916) 322-3234
Strong Workforce Program	Sandra Sanchez	ssanchez@cccco.edu	(916) 322-0935
Student Equity and Achievement	Barbara Lezon	blezon@cccco.edu	(916) 323-5275
Student Success Completion Grant	Ruby Nieto	rnieto@cccco.edu	(916) 322-4300
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