

Chancellor's Office

# College Finance Report



# Topics

- Fiscal Forward Concept
- Discussion
- R1 and P1 Update
- Audit Manual
- SCFF Implementation
- State Budget Update
- Conversation



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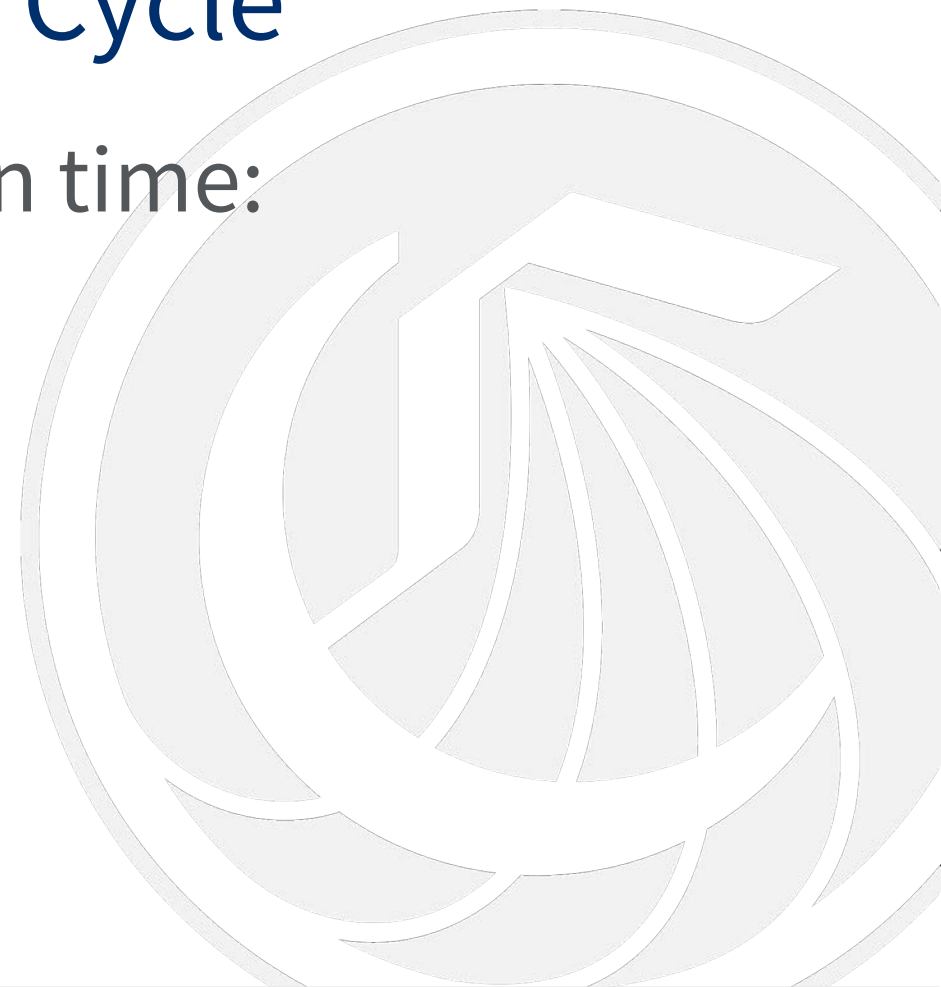
# Fiscal & Policy Update



# The Apportionment Cycle

Data points updated at each point in time:

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



Fiscal & Policy Update

# Recalculation



# 2018-19 Recalculation

- Primarily due to higher offsetting local revenues the General Fund deficit has decreased to \$3.4 million based on TCR of \$7.199 billion.
- The deficit is being addressed by applying a proportional reduction to districts with funding levels above the 8.13% limitation and their proportion funding above that limitation.

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# First Principal Apportionment



# 2019-20 First Principal Apportionment: 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 First Principal Apportionment: Rates

	<b>2019-20 Rates at P1</b>
Base Credit	4,013.61
Supplemental Point Value	949.07
Student Success Main Point Value	559.09
Student Success Equity Point Value	140.92
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 First Principal Apportionment: Rates

- Rates will be updated slightly at P2 based on updated FTES and SCFF metric data.
- We anticipate that rates will be memorialized in statute for 2020-21 as a part of the 2020 Budget Act.

# 2019-20 First Principal Apportionment: Available Revenues

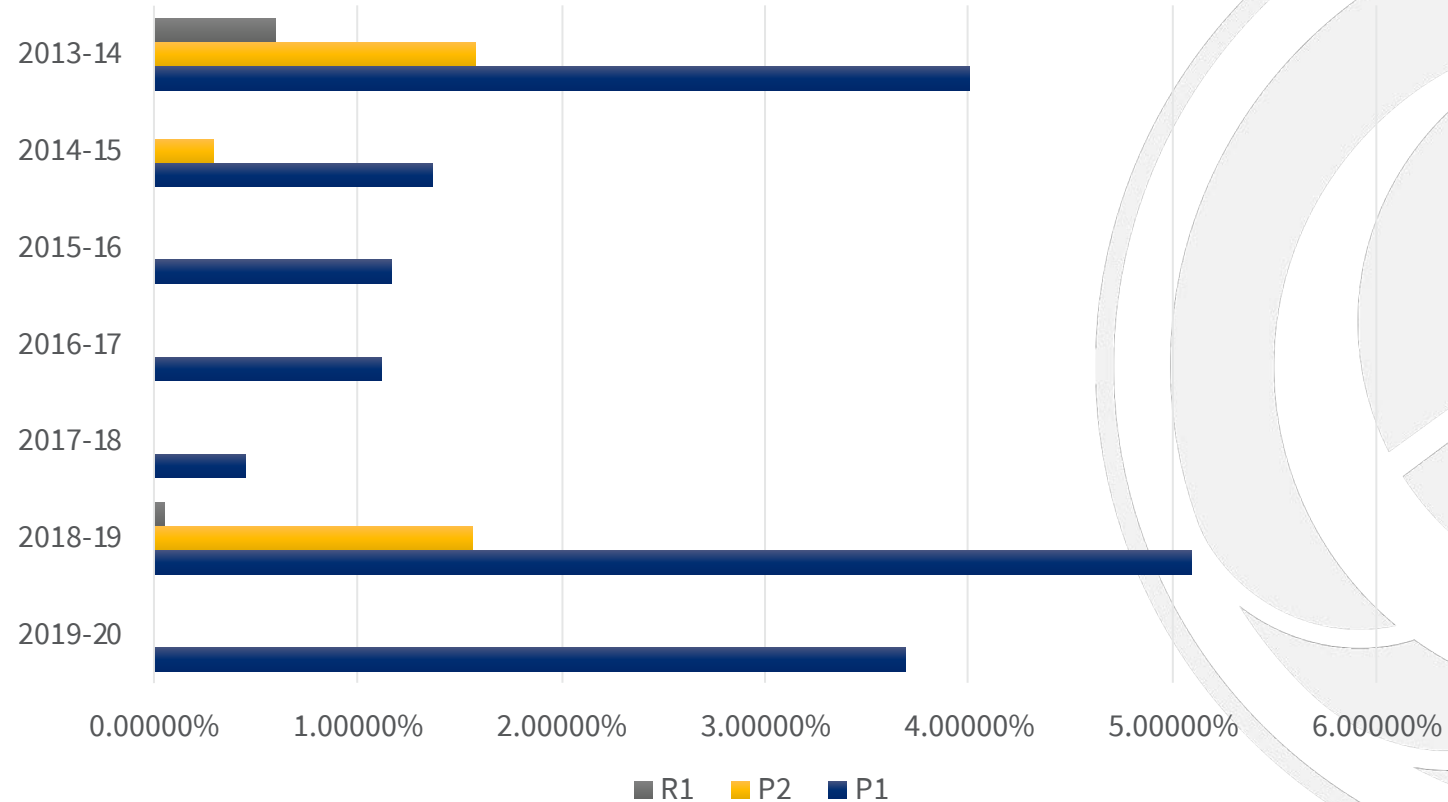
- \$250 million deficit on a \$7.424 billion TCR and \$7.124 billion in available revenues.
- \$214.7 million shortfall in net offsetting property taxes
- \$34.2 million shortfall in offsetting enrollment fee revenue.

# 2019-20 First Principal Apportionment: Available Revenues

- Revenues reported by counties and districts at P1 have historically been lower than revenues ultimately reported at R1.
- Further, depending on the magnitude of the revenue shortfall, the Governor and Legislature have backfilled shortfalls with supplemental General Fund appropriations.

# History of Property Tax Reporting

## Patterns Since Prop 30/Prop 55



# Property Tax Backfill

- Challenges with revenue estimates are a long-standing issue for California Community Colleges and the Chancellor's Office.
- Unlike K-12 education, there is no provision for automatic backfill 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.

# 2019-20 First Principal Apportionment: Proportional Deficit

- Consistent with past practice, feedback from stakeholders, and to equitably distribute General Fund shortfalls, the Chancellor's Office will apply a proportional deficit to all districts' TCR in 2019-20 and moving forward.

# SCFF Data Accuracy

- In addition to the accuracy of the 5 categories of FTES (SB 361 practice), property taxes, and enrollment fee revenues, the SCFF now requires accurate reporting of an additional 27 categories of information that generate over \$2 billion in TCR.
- Based on the importance of the accuracy of these additional categories of information, we will again open the data up for review prior to P2.
- Data accuracy period runs through March 20, 2020.



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# Audit Manual Update



# 2019-20 Contracted District Audit Manual (CDAM) Revisions

- Section 424 – Student Centered Funding Formula Base Allocation: FTES
  - Formerly titled State General Apportionment
- Section 425 – Residency Determination for Credit Courses
  - Beginning in 2019, students enrolled exclusively in noncredit courses are not subject to residency classification requirements. (Education Code Section 68086)
  - Emphasizes residency classification and documentation for student-athletes should occur per the district’s policy and process.
- Section 340 - Supplemental Information
  - Revised the District Organization Schedule to include a list of Auxiliary Organizations in good standing to include name, date of establishment, date of current master agreement with district, and name of director.

# 2019-20 CDAM Additions

- Section 411 – SCFF Data Management Control Environment
  - A test was added to review data management practices over Student Centered Funding Formula related data.



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# State Budget



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# SCFF Implementation



# Focus for 2020

- **Support colleges in the implementation of the goals of the SCFF**
- **Provide tools for colleges to support stability and predictability**
  - Example: simulation and multi-year planning tools
- **Discuss and identify a strategy for end of hold harmless period**

# Proposed Local Assistance Adjustments

<b>2020-21 Policy Adjustments in CCC Spending -- Ongoing</b>	<i>In Millions</i>
Provide 2.29% COLA for Student Centered Funding Formula and certain categorical programs	\$176.4
Fund 0.5% enrollment growth	31.9
Provide workload adjustments for various programs	17.0
Fund Dreamer Resource Liaisons and legal aid support for immigrants	15.8
Expand California Apprenticeship Initiative	15.0
Support districts' food pantry services	11.4
Fund instructional materials for dual enrollment students	5.0
<b>Total Ongoing Adjustments</b>	<b>\$272.4</b>

# Proposed Local Assistance Adjustments *(cont.)*

<b>2020-21 Policy Adjustments in CCC Spending – One Time</b>	<i>In Millions</i>
Expand work-based learning within Guided Pathways	\$20.0
Create statewide pilot fellowship program for diverse hiring	15.0
Expand zero textbook cost pathways	10.0
Augment support for part-time faculty office hours	10.0
Fund deferred maintenance and instructional equipment (one-time) <sup>a</sup>	7.6
<b>Total One-Time Adjustments</b>	<b>\$62.6</b>

<sup>a</sup>In addition, the budget provides \$8.1 million in 2019-20 funds and \$1.5 million in reappropriations, which combined with \$7.6 million in one-time funds provides a total of \$17.2 million for deferred maintenance and instructional equipment.



# Proposed Local Assistance Adjustments *(cont.)*

<b>2019-20 Adjustments in CCC Spending – One Time</b>	<i>In Millions</i>
Support existing apprenticeship coursework – current-year adjustment	\$20.4
Fund deferred maintenance and instructional equipment <sup>a</sup>	8.1
<b>Total 2019-20 One-Time Adjustments</b>	<b>\$28.5</b>

<sup>a</sup>In addition, the budget provides \$7.6 million in one-time 2020-21 funds and \$1.5 million in reappropriations, which combined with the \$8.1 million in 2019-20 funds provides a total of \$17.2 million for deferred maintenance and instructional equipment.

# State Budget: Major Themes

- **Addressing affordability crisis** – health care and housing
- **Investing in emergency response** – homelessness and wildfires
- **Promoting opportunity** – increased funding for preschool, public schools, and higher education; new Dept. of Early Childhood Development

# California Community Colleges (CCC) Budget

- Proposition 98 provides minimum guarantee for school and community college funding
- Although formulas determine total funding, Governor and legislature determine allocation
- In determining the Proposition 98 requirements:
  - Department of Finance estimates minimum guarantee
  - These estimates cover prior, current, and budget years
  - Adjusted periodically, with settle-up required if funding was below the final guarantee

# CCC Apportionments

- No changes to Student Centered Funding Formula at this time
- Administration supports Formula Oversight Committee recommendation to include a metric reflecting first-generation college students within the formula in the future, after data for the new metric is available
- Chancellor's Office released updated Joint Analysis on February 25

# College Affordability

- Expands zero textbook cost (ZTC) pathways
  - \$10 million for additional ZTC degrees within Guided Pathways
  - Builds on \$5 million grant program provided in 2016
- Student financial aid
  - No major proposals, but administration indicates it will review forthcoming work group report on how state's aid programs could better serve the needs of students, including addressing non-tuition costs of attendance
  - Provides \$5 million to Student Aid Commission for a work group and outreach on reducing student loan debt

# CCC Diversity, Equity, and Inclusion

- Creates a statewide fellowship pilot program
  - \$15 million one-time to create and implement, on a pilot basis, a fellowship for current and recent graduate students
  - The purpose of the fellowship program is to improve faculty diversity at community colleges through recruitment and mentorship

# CCC Student Needs

- Expands work-based learning
  - \$27.8 million ongoing and \$20.4 million one-time for apprenticeship hours, and \$15 million ongoing to expand the California Apprenticeship Initiative
  - \$20 million one-time to expand access to work-based learning models and programs at community colleges
- Assists undocumented students
  - \$5.8 million ongoing to fund Dreamer Resource Liaisons and associated support services at each CCC campus, per Assembly Bill 1645 (Blanca Rubio)
  - \$10 million ongoing for legal services to immigrant students, faculty, and staff, to be administered through Department of Social Services
- Other proposals
  - \$11.4 million ongoing for food pantry programs at community colleges, and \$5 million for instructional materials for dual enrollment students



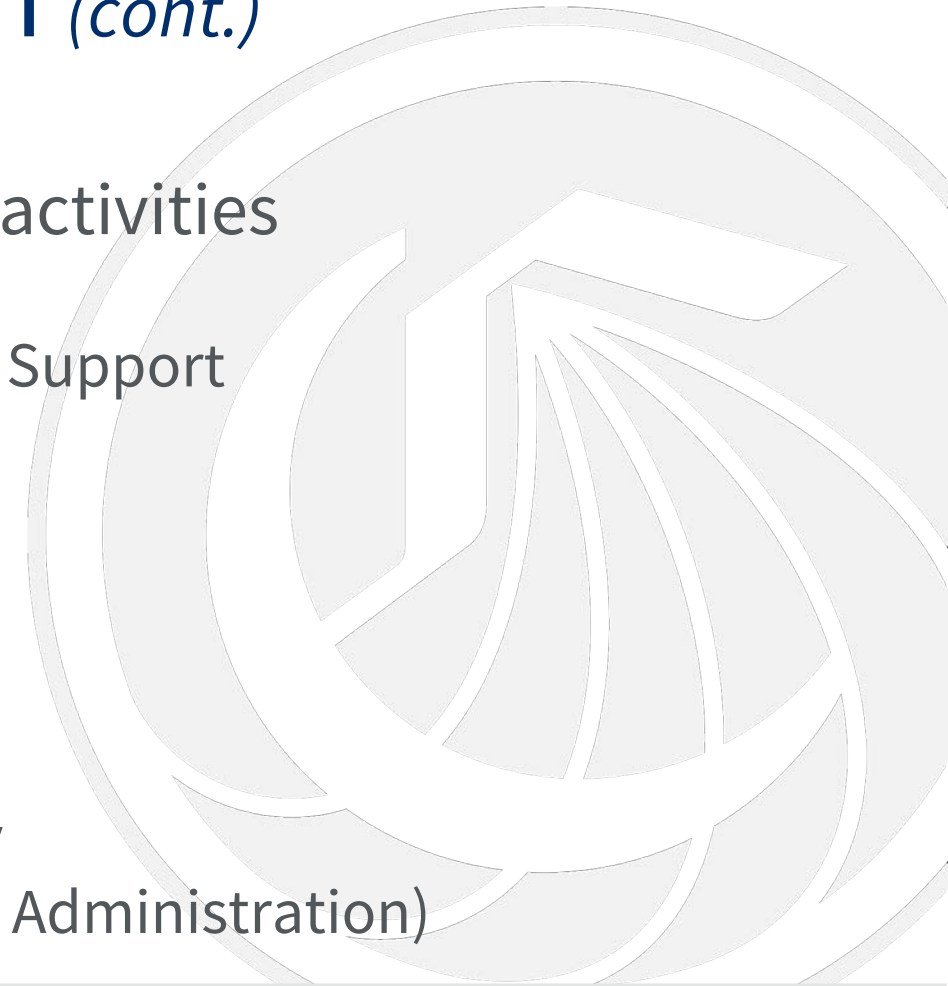
# CCC System Support Program

- Consolidates dispersed support set-asides into single program
  - Currently, state funds several statewide activities through local assistance appropriations and set-asides in various categorical programs
  - Structure lacks efficiency, consistency, and alignment with *Vision for Success*
  - Governor's proposal creates a new program to provide coordinated support
  - Programs incorporated into the proposed System Support Program will not see a decrease in funding. Account coding is the only change these programs will see.



# CCC System Support Program *(cont.)*

- Set-asides for administrative and statewide activities
  - Student Equity and Achievement Program
  - Cooperating Agencies Foster Youth Educational Support
  - CCC Strong Workforce Program
- Statewide Programs
  - Institutional Effectiveness Partnership Initiative
  - Integrated Technology
  - Transfer Education and Articulation
  - Expand Delivery of Courses through Technology
  - Statewide media campaigns (from Financial Aid Administration)



# Workforce & Apprenticeships

- Apprenticeship Instructional Hours
  - The Governor's budget provide \$20 million one-time to cover increases in RSI hour estimates for 2019-20.
  - Provides \$28 million ongoing in 2020-21 to fund these projected hours.
- California Apprenticeship Initiative
  - Proposes \$15 million new ongoing in 2020-21, bringing total ongoing funding to \$30 million.
- Work-Based Learning
  - Governor proposes \$20 Million one-time for a new work-based learning initiative.
  - Expand the use of work-based learning instructional approaches that align with the Guided Pathways framework.

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# Government Relation Update



# Thank You for the Invitation!

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