AUDIT AND BUDGET COMMITTEE AGENDA

Coast Community College District*

Special Meeting of the Audit and Budget Committee

Tuesday, November 8, 2022, at 2:00 p.m.

1370 Adams Avenue, Costa Mesa, CA 92626

1. **Call to Order**

2. **Roll Call**

3. **Opportunity for Public Comment**

   Members of the public have the opportunity to address the Audit and Budget Committee on any item that has been described in this notice. Persons wishing to make comments will be recognized at this point in the meeting. Individuals will have up to five minutes per agenda item, and there is a 20-minutes total limit per item. These time limitations may be extended by the Committee.

   It is the intention of the Coast Community College District to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or a participant at this meeting, you will need special assistance beyond what is normally provided, the Coast Community College District will attempt to accommodate you in every reasonable manner. Please contact the Secretary of the Board at jburton@cccd.edu as soon as possible to inform us of your particular needs so that appropriate accommodations may be made.

4. **Approval of Minutes: Meeting of August 22, 2022** (Attachment #1)

5. **Review, Discuss, and Possible Action regarding Internal Audit Quarterly Update** (Attachment #2)

6. **Review, Discuss, and Possible Action regarding External Audit Report Update (Crowe, LLP)** (Attachment #3)

7. **Review, Discuss and Possible Action regarding State Legislative Budget Issues** (Attachment#4)

8. **Review, Discuss and Possible Action regarding Budget 2022-2023** (Attachment #5)

   - **State Chancellor's Apportionment Calculation Schedule, Basis, and Purpose**

9. **Future Meeting Date**

10. **Future Agenda Items**

11. **Adjourn**

**The Committee may take action on any item listed on this agenda. Under the Brown Act, the Public has the right to receive copies of any non-exempt public documents relating to an agenda item that are distributed to the committee members. Please contact the Office of the Board of Trustees at jburton@cccd.edu prior to the meeting to facilitate the distribution of these documents.*

AUDIT AND BUDGET COMMITTEE MINUTES

Coast Community College District

Special Meeting of the Audit and Budget Committee

August 22, 2022

Zoom Conference Meeting

1. Call to Order

The meeting was called to order at 2:00 p.m.

2. Roll Call

Trustees Present: Trustee Jim Moreno and Trustee Mary Hornbuckle
Trustees Absent: None

In Attendance – Dr. John Weispfenning, Chancellor; Marlene Drinkwine, Vice Chancellor of Finance and Administrative Services; Dr. Andreea Serban, Vice Chancellor of Educational Services and Technology; Dr. Marco Baeza, Vice Chancellor, Human Resources; Dr. Vincent Rodriguez, President, Coastline; Tim McGrath, President GWC; Paul Wisner, GWC Director of Business Services; Daniela Thompson, Executive Director Fiscal Affairs; Tanya Tran, District Budget Manager; Rachel Kubik, OCC Director of Business Services; Erik Fallis, District Director, Public Affairs & Marketing; Janet Houlihan, Vice President, Administrative Services, GWC; Derek Bui, Director Business Services, Coastline; Julie Clevenger, Director Chancellor's Office Operations and Projects; Christine Nguyen, Vice President, Administrative Services, Coastline; Dr. Rich Pagel, OCC Vice President Administrative Services; Rick Garcia, OCC Director of Maintenance & Operations; Dana Swart, District Controller; Jose Fuentes-Perez, Student Trustee; Casey Elliott, Vice President, Townsend Public Affairs; Mary Grady Administrative Assistant, Board of Trustees; Jane Burton, Manager/Board Secretary

3. Opportunity for Public Comment

Student Trustee, Jose Fuentes-Perez introduced himself to the Committee, and expressed his excitement at being selected as Student Trustee to the Coast District Board of Trustees. The Student Trustee email address for questions or comments was offered: strustee@cccd.edu.

4. Authorization under Brown Act, Government Code § 54953(e), for Conducting Meetings Remotely Due to the COVID-19 Emergency Because Meeting in Person Would Present Imminent Risks to the Health or Safety of Attendees

Attachment #1

Chancellor Weispfenning's recommendation was for this meeting to be held telephonically, and for the Committee to consider holding the next meeting in person.

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to approve the Chancellor's recommendation.

Motion carried with the following vote:

Aye:	Trustee Hornbuckle and Trustee Moreno
No:	None
Absent:	None

5. Approval of Minutes: Meeting of May 24, 2022

On a motion by Trustee Hornbuckle, seconded by Trustee Moreno, the Committee voted to approve the minutes of the Special Meeting of May 24, 2022.

Motion carried with the following vote:

Aye:	Trustee Hornbuckle and Trustee Moreno
No:	None
Absent:	None

6. Review, Discuss, and Possible Action Regarding Internal Audit Quarterly Update

Rachell Snell, District Director of Internal Audit, could not be available for the meeting, however, she did send an update to the Committee in addition to the regular Internal Audit Quarterly Reports.

The prospect of developing a gift policy for Coast employees and Board of Trustees was discussed. Vice Chancellor Serban had already begun the process of reviewing CCLC templates and examples of gift policies from other community college districts and reported that a draft would be reviewed by the DCC BP/AP Sub-Committee and then eventually presented to the Board of Trustees for consideration and approval.

7. Review, Discuss and Possible Action Regarding State Legislature Budget Issues

Casey Elliott, Vice President, Townsend Public Affairs provided the Committee a brief update on current state legislative budget issues.

The May Governor's Revised Budget for FY 2022-23 was released by Governor Newsom. The main focus of the budget was one-time funding.

State revenues for the first month were about $1.5 billion below projections, although the year's budget for the state total reserve balance was just over $37 billion.

The Legislature was scheduled to adjourn the two-year Legislative session the following week, with at least one budget trailer bill expected to be approved before that time. He noted that he didn't believe there was anything related to community colleges in that bill.

The State Chancellor's Office had begun to pull budgets together for the following year.

Trustee Moreno asked about the state surplus level. Casey Elliott noted that the carryover reserves ended up at approximately $37 billion. Surplus was in the low to mid $40 billion, with the overall budget up about 20%.

Both Trustee Moreno and Trustee Hornbuckle thanked Casey Elliott for his observations and direction.

8. Review, Discuss and Possible Action Regarding Budget FY 2022-2023

Vice Chancellor Marlene Drinkwine provided a presentation for the FY 2022-2023 Budget.

The regular budget adoption procedure had changed due to the pandemic. A placeholder budget was put in place that allowed deadlines to be met with the release of funds. The placeholder budget would subsequently be revised, and this had been the new procedure for two years consecutively, including this year. This had caused the trailer bill phase to be extended.

All of the data was not yet received for most of the large block grants and new funding, leaving uncertainty about program rates, expenditure guidelines, etc., and that was not typical for this point in August.

The Governor's Budget included good news with highlights covered including the fully funded 6.56% COLA, increases for the Student-Centered Funding Formula (SCFF) and specified categorical programs. Also, the ongoing extension of the Hold Harmless provision and a one-year extension of the Emergency Conditions Allowance, both critical to CCCD current and ongoing funding. Other items included one-time funding for maintenance, a discretionary block grant funding to address the impacts of the pandemic, and a host of augmentations for categorial programing - some ongoing and some one-time.

The State Chancellor's Office had expressed caution regarding the appropriation of funding for all college districts, as the State Chancellor's Office would need to determine if they had the full amount of funds needed. Last year a 1% funding deficit was projected, and then revised as it was determined more funds would be available to fully fund us. There was an improvement to the CCCD ending fund balance of $2 million.

The FY 2022-23 Budget Assumption Developments showed the 50% Law reserve requirements were met; however, we saw increases in CalPERS and CalSTRS and the rolling three-year average was declining, which would be a critical future consideration.

Projections for the Student-Centered Funding Formula, including the 6.56% COLA for FY 2022-23 of $218,829,580, would be a significant increase over FY 2021-22. Still funded at our Hold Harmless level, however, the Hold Harmless/Funding Floor decreased to $741,313. The FY 2022-23 projection was without benefit of the emergency conditions allowance. Within the enacted state budget funding floor budget for FY 2025-26 the recalculation would be $14,716.240 with no COLA.

Hold Harmless would be effective through FY 2024-25 and the Funding Floor would begin FY 2025-26 and would not be increased by COLA.

The state had declared a state of emergency due to the pandemic, and Districts were provided with emergency conditions allowances and could use the FY 2019-20 FTES instead of the current year FY 2021-22. That helped keep revenues high for the District. In addition to increases for the Student-Centered Funding Formula, other revenue was increased through the emergency conditions allowance including lottery revenue statewide.

Districts statewide had continued to experience declining enrollment. There was a surprise extension of the emergency conditions allowance into FY 2022-23. This extension had conditions attached to it, which included a Board approved emergency recovery plan (already approved) and several other requirements. Most critical was the requirement that the Board enact a reserve policy consistent with a new recommended reserve amount of two months of general fund operating expenditures, which equals 16.67%. That would be 6.67% over the current Board policy reserve funds of 10%.

The benefit of adhering to the conditions as mentioned above would bring an estimated return of approximately $4.5 million for FY 2022-23 and because of the three-year rolling average, it would bring another $4.5 million in FY 2023-24. It would be a combined $9 million in one-time funding that we could use to bolster our reserves.

The multi-year projections show budget year FY 2022-23 with deficit spending of $1.3 million, although this was expected to be resolved through salaries and benefits savings that would typically exceed that amount. Over the course of the next budget year, each quarterly update was expected to show improvements.

Although Projections showed 17.29% reserves in the budget year FY 2022-23, not all of the ending balance was shown as available to meet reserves. The reason being some of the ending fund balances were already reserved. $5 million was in the college balances (typically not used to meet reserves), assigned reserves for multi purposes and not available to be included in the policy reserve funds. However, if we receive the emergency conditions allowance because we have adopted the higher reserve requirement, we will receive $9 million to bolster our reserves for the current and subsequent years.

The application for the FY 2022-23 Emergency Conditions Allowance was due September 1, 2022 and was already submitted. CCCD had already met a key condition to receive the emergency funds allowance for teaching colleges through the California mutual college open enrollment platform. With Dr. Serban's leadership, CCCD was the first district in the state to go live with online teaching for all three colleges, in October of 2020. Other districts would struggle with this condition, and CCCD was already ahead of the curve.

The new Board policy would need to be adopted by February 2023. If the State Chancellor's office determined the conditions were not met, the funds would need to be returned.

Although we would receive deferred maintenance and another Covid 19 block grant, it was less that proposed in May. The Capital Outlay funding for Orange Coast College Chemistry building was included in the FY 2021-22 budget and would remain available for that project.

Even though the GWC Fine Arts project had been included in the Board of Governors' proposed budget it was not included in the 2022-23 state budget. The State Chancellor's Office has assured us that they would again use it in their recommendation, and we would remain hopeful.

The Scheduled Maintenance and Instructional Equipment Block Grant final budget included $840.7 million in general fund dollars for community college deferred maintenance. Coast would see an estimated $18.8 million in one-time funding for this purpose. We should have four or five years to spend this money.

Student Housing AB 183, a higher education trailer bill, provided $1.23 billion in FY 2022-23 and included 12 eligible community college projects worth $542 million. An additional $2 billion in grant funding between now and 2024-25 for student housing projects and UC, CSU and CCC would bring the total program funding to $4 billion.

Developing concerns continued to be declining enrollment, the fiscal plateau beginning in FY 2025-26, increasing retirement systems employer contribution costs, and the absence of Federal emergency funding beginning FY 2022-23. The list continued with uncertain economic conditions resulting from the COVID-19 pandemic, labor market disruptions, global supply chain issues, inflation, and rising interest rates, highlighting the need for continued cost containment measures, e.g., salary cost savings. Vice Chancellor Drinkwine noted we were back over 90% on salaries and benefits.

The last area of importance was the System recommendation to adopt the Government Finance Officers Association (GFOA) recommendation of required reserves equal to a minimum of two months of total general fund operating expenditures, equivalent to 16.67% reserve.

Vice Chancellor added that our ending fund balance had improved over the course of the pandemic, largely due to HEERF, but reminded everyone that HEERF would go away at the end of the year.

The 2025-26 projection had been revised to reflect that it was no longer a fiscal cliff, rather a fiscal plateau, meaning we would have a few more years before we were in dire straits, but the value would decrease because it would not be increased by COLA.

We had received an excellent renewal on health benefits. One year retirement increases, however, were almost $4 million; an unavoidable ongoing increase in District costs.

In response to a question from Trustee Hornbuckle on Student Contact Hours/Full-Time Equivalent Faculty, Vice Chancellor Serban explained that the chart showed average class enrollment that had significantly declined for all three colleges. This was a reflection of the fact that over several years enrollment had declined and we were seeing lower average class enrollment overall.

The Trustees thanked Vice Chancellor Drinkwine for the in-depth presentation.

9. Future Meeting Date

The next meeting was previously scheduled for Tuesday, November 8, 2022, at 2:00 p.m.

10. Future Agenda Items

(a) Internal Quarterly Audit Update
(b) State Legislative Budget Update

11. Adjourn

The meeting was adjourned at 2:47 p.m.

Jane Burton
Secretary of the Board

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Internal Audit

MEMORANDUM

Date: **October 24, 2022**

To: Dr. Whitney Yamamura, Chancellor
Dr. Angelica Suarez, OCC President
Dr. Madjid Niroumand, OCC Vice President Student Services

Cc: Kelly Daly, RN, OCC Health Center Director

From: Rachel Snell, Director Internal Audit

Re: OCC Health Center Revenue/Expense Review

OCC management requested Internal Audit review Health Center (Center) revenues and expenses and identify opportunities to increase revenues and/or lower expenses. To do this, Internal Audit reviewed the Center's Fiscal Year (FY) 2022-2023 budget, and met with staff from the Center, OCC Foundation, OCC Business Office, and District Grants.

Background Information

The Center offers basic health care, first aid, and mental services, in addition to some men's and women's health services, diagnostic lab tests, and COVID information. The Center refers students to local clinics and health facilities for care beyond what it can provide. A fee is charged to cover some costs, but occasions exist where either the student did not pay the health fee, or is not enrolled in courses as required, but receives care. A triage process confirms whether an urgent medical need exists; however, staff makes efforts to collect any fees at the time of service.

The Center Directors are both licensed in their respective fields, Nursing and Mental Health, and report to the Vice President of Student Services. There are three registered nurses, a medical assistant, and an administrative assistant, in addition to two professional experts (physician and nurse practitioner) who provide more advanced services. For mental health, there are four paid staff and eight unpaid interns.

Center revenues are primarily derived from the Student Health Fee, which is set by State law. Currently, the student health fee is $23 per semester and $20 for Summer Session. California Education Code Section 76355 limits the fee increase to the same percentage increase as the Implicit Price Deflator for State and Local Government Purchase of Goods and Services; however, the fee increase cannot exceed one dollar. The Center also receives funding from State grants, including a Mental Health grant. Most Center expenses are related to salaries for staff and professional experts, followed by medical supplies. For FY 2022-2023, budgeted revenue and expenses are $850,000. Anticipated actual revenue and expenses are estimated at $800,000 and $972,342 respectively, with a shortfall of approximately $172,342.

Results

Over the last few years, the Center's expenses exceeded revenue, since staff costs increase at a rate that exceeds all funding sources combined. Staff salaries are typically adjusted by the approved Cost of Living Adjustment (COLA), whereas the student health fee is not. The cost to provide health care is rising, and the Center is currently unable to generate enough revenue to meet its needs on a long-term basis. Due to funding limitations, the Center is unable to replace front-line staff, so the Center sometimes struggles to meet service demands. Since the Center supports two full-time managers and five full-time staff, the Center hires Professional Experts to cover most of its day-to-day medical and mental health services. Currently, OCC provided HEERF funding to cover the Center's budget needs. After this year, that funding will no longer be available.

To increase funding, the Center met with the OCC Foundation and District Grants Office, but the Center does not have certain data readily available to facilitate outreach efforts or research in these areas. Furthermore, the Center has not performed a detailed cost analysis to determine the true cost to provide care, which could inform decision making for the additional staff needed to meet demands. A cost analysis of the fee schedule could reveal whether fees are set at a minimum "break even" rate for those services.

Other Observations

Cash Drawer: The Center maintains a cash drawer, which is primarily used by one person. The Center rarely receives cash or checks. Almost all students pay via credit card or Apple Pay. The amount of transactions using cash is far less than the staff burden that would be necessary to implement proper internal controls over cash handling.

Districtwide Health Center Operations: Internal Audit did not review the Goldenwest College (GWC) Health Center. However, work at OCC revealed certain differences in the services provided to students. For example:

1. Students may receive services at OCC, regardless of whether the student paid the health fee, whereas at GWC, students may not receive services. In both cases however, there may be an initial assessment to determine medical need for care.
2. Fees related to services provided may not be the same at both Centers; however, the cost to provide those services also may not be the same at both colleges.
3. OCC offers more services than GWC, creating potential disparity between colleges.
4. CCC has a Memorandum of Understanding (MOU) with GWC and OCC to provide health services to its students. The MOU provides equal payment to both colleges, although more CCC students may select OCC as its primary provider than GWC.
5. While both Centers use the same software for health charts and other records, neither Center can access student records at the other Center.

In general, the colleges support obtaining more data to improve decision-making, but there is no consensus on sharing information across sites. There is also no consensus on making changes to Center operations that may cause one college to change in a manner that is inconsistent with how it would prefer to operate. GWC reported that it is currently operating with a positive budget balance, whereas OCC is not. However, OCC is reviewing its funding sources in order to balance its budget and is considering potentially expanding mental health services under its new Mental Health grant.

Recommendations

1. The Center should perform a cost analysis to determine the true cost of providing care, and use the results to determine the extent to which certain allowable fees can be increased.
2. The Center should gather detailed demographic and service data, and work with the Foundation and District Grants Office, to facilitate outreach to donors and granting entities with interests specific to the needs of the Center.
3. The Center should work with its college counterparts to review operations districtwide and service delivery to students, including but not limited to:
    a. Establishing similar services and fee schedules;
    b. Allowing each Center to access records in order to facilitate services to students; and
    c. Reviewing the MOU and determining whether more CCC students select one site over another for health care services and adjust the payment to that college accordingly.

OCC management generally agrees with the recommendations and will work towards gathering more data and reviewing that data in the context of making decisions related to operational improvements. OCC management also acknowledges the delicate need to balance the ability to provide services to students with the need to balance the budget and operate in a more financially viable manner. OCC management believes that health services are critical to students and despite funding gaps, should be funded with the General Fund to cover these gaps and should remain a college priority.

Audit and Budget Committee Meeting: 11/08/22

Projects—Completed

- Internal Audit Specialist Position: Maira de la Torre started 10/01/22.
- OCC Health Center: Review revenues and expenses (See Attached).
- Employee Relations—Confidential memo was issued to HR (Scheduled for release in December 2022).
- Waste of Public Funds/Conflict of Interest Allegations (1 complete—Scheduled for release in December 2022)

Other Projects—In Progress

- Risk Services: Business process improvement project.
- Cosmetology: To review processes for ensuring compliance with state licensing requirements (changed to follow up on prior audit recommendations and the Program Vitality Review).
- Waste of Public Funds/Conflict of Interest Allegations (1 in progress)
- External Audit Liaison: Ongoing
- General Counsel/Legal Fees
- Record Management—Internal Audit files

Other Services

- Retirement Board, Vice Chair
- DCC—BP/AP Subcommittee (Advisory)
- District Facilities Committee

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Coast Community College District

Audit Results for the year ended June 30, 2022

November 16, 2022

Attachment #3

Auditor’s Responsibilities, Planned Scope, and Audit Timeline

- Express an opinion on the financial statements, federal and state compliance
- Risk of material misstatement
- Internal control evaluation
- Risk based audit approach

New Accounting Standards

- **Governmental Accounting Standards Board (GASB) Standard No. 87 – *Leases*.**
  - *GASB Standard No. 87 requires the recognition of certain assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement a lease is required to be recognized as a lease liability and an intangible right to use lease asset and the lessor is required to recognize a lease receivable and deferred inflow of resources. Based on the implementation of GASB Statement No. 87, on July 1, 2021 the District recognized lease receivables and related deferred inflows of resources of $33,728,356. There was no change in the District's net position as a result of the implementation.*

Corrected and Uncorrected Misstatements

- Corrected Misstatements:
  - No corrected misstatements

- Uncorrected Misstatements:
  - There was one uncorrected misstatement related to the present value effect on the District's long-term notes receivable balance. The District's position related to the recognition of the present value is consistent with prior periods.

Other Required Communications

- There were no difficulties encountered with management
- There were no disagreements with management
- No consultation with other accountants
- No significant or adverse events require your attention in connection with the completion of the audit

Audit Results

Type of Opinion	Results / Questioned Cost
Financial Statements	Unmodified
Federal Compliance	Unmodified
State Compliance	Unmodified

Financial Highlights

- Government-Wide Summary
  - Total assets of the District at June 30, 2022: $ 1.34 billion
  - Total net position of the District at June 30, 2022: $ (36.5 million)
    - Net Pension Liability at June 30, 2022: $ 151.0 million
    - Net OPEB Liability at June 30, 2022: $ 35.6 million
  - Total change in net position for the year ended June 30, 2022: $ 42.0 million
- General Fund Summary
  - Fund Balance at June 30, 2022: $ 44.9 million
  - Total change in Fund Balance: $ 9.3 million
- Debt Refunding
  - Refunding Debt Issuance: $205.7 million G.O. Bonds

Conclusion

- The District’s financial statements are presented fairly in all material respects
- No audit adjustments
- No audit findings
- Management and staff at the District office and other departments were prepared for our audit and responded timely to our requests

To: **Coast Community College District**
Audit and Budget Committee

From: **Townsend Public Affairs, Inc.**
Casey Elliott, Vice President

Date: **November 8, 2022**

Subject: **State Legislative Affairs Update**

The month of October included no legislative action in Sacramento as the Legislature has adjourned their session and the Governor has acted on all pending legislation. For the majority of October, legislators were focused on activities in their districts, leading up to the November General Election.

Below is an overview of relevant budget-related activities that transpired during the month of October.

California State Budget: Fiscal Outlook

In October, the Department of Finance released its monthly Finance Bulletin, which indicated that the state is experiencing a revenue shortfall of nearly $ 7 billion. Specifically, September cash receipts came in $2.8 billion below the month's projection and brings the state's expected revenue to $4.8 billion below projection for fiscal year to date. When combined with $2.2 billion shortfall ending in the last fiscal year, the State's total revenues are currently nearly $7 billion below most recent forecast. It should be noted that nearly all of the year-to-date revenue shortfall is due to lower-than-expected revenues from personal income taxes (lower withholdings, lower estimated payments, and higher refunds than expected).

The revenue numbers will continue to fluctuate over the course the next several months as additional returns data filters in throughout the tax season. It is possible that the lower personal income tax revenue early in the year will result in higher-than-expected personal income tax revenue later in the fiscal year, but this will not be know until the traditional income tax filings start to come into the state.

If the current trend holds, the state may have fewer resources available for the FY 2023-24 budget; however, responsible state budgeting throughout the past few gubernatorial administrations has resulted in a build up of over $23 billion in the state's rainy-day fund, strong budget reserves, and over $130 billion in cash on hand. The establishment, and funding, of the rainy-day fund will allow the Legislature and Administration to help mitigate the need for severe budget cuts, should revenues end up below projected levels. Additionally, a portion of the state's reserves are specifically earmarked for educational purposes, so K-14 education would not need to compete with other areas of the state budget for use of rainy-day funds.

Middle-Class Tax Refunds Enacted in Budget Agreement Distributed to Eligible Californians

Beginning on October 7th through October 25th, $9.5 billion in Middle Class Tax Refund payments was distributed to eligible Californians, with up to $1,050 for eligible families with dependents to help with rising prices caused by inflation. The three-tier program benefitted an estimated 23 million California taxpayers, including individual filers making as much as $250,000 and joint filers making as much as $500,000, with low- and middle-income households receiving incrementally more money. Households making as much as $75,000 for individuals or $150,000 for joint filers received $350 per taxpayer, plus an additional $350 if they have at least one dependent.

The distribution of payments marks the tangible benefits for Californians after months of legislative debates over how best to issue rebates to Californians in response to soaring inflation prices and a need to balance budget spending to circumvent issues related to the State Appropriations Limit (SAL). In the Governor's State of the State speech in March, he called for a plan to address soaring gas prices, which have since climbed into the $7 per gallon range, by sending $400 debit cards to every registered vehicle owner in the state. Legislative leaders firmly resisted that approach, which did not include an income limit, and could have left out the state's most needy – including those unable to afford to own vehicles. In response, Legislators countered with a separate plan to distribute $200 checks for each eligible taxpayer and their dependents living in households making less than $250,000 per year for a couple or $125,000 per year for an individual.

While inflation relief was a driving factor for the distribution of payments, so was the need to craft a budget spending plan that did not exceed the State Appropriations Limit (SAL). The SAL constrains how the Legislature can use revenues that exceed a specific threshold. Given recent revenue growth, the SAL has become an important consideration in the state budget process and will continue to constrain the Legislature's choices in next year's budget process. The limit is tied to California's 1978-79 spending level, adjusted for changes in population and per capita personal income. If the state exceeds its limit over a two-year period, the Legislature must spend the revenue over that limit in specific ways – providing funds to taxpayers via rebates and K-12 schools and community colleges.

Governor Calls Special Session to Address High Gas Prices

On October 4th, Governor Newsom announced he would call a special legislative session to consider a windfall profit tax on oil companies in response to the soaring price of gas in California. The Governor noted that the session would convene on December 5th, which is the same day that the new Legislature will be sworn into office and the 2023-24 Regular Legislative Session will commence.

Gas prices in California have soared to an average of nearly $7 per gallon, compared to a national average of $3.89 per gallon. Governor Newsom has pointed to the decreasing price of crude oil while the price of gasoline has increased, stating the discrepancy can be attributed to gas companies seeking profits. Critics have said that a windfall tax would only drive-up prices further because oil companies would pass on the cost to customers, and that the state should focus on suspending the gas tax instead. Legislative leaders Anthony Rendon and Toni Atkins released a joint statement stating they "look forward to examining the Governor's detailed proposal when they receive it."

Special sessions are those convened pursuant to a proclamation issued by a Governor. During special sessions, legislators may only legislate subjects specified in the proclamation but may consider budgetary or other matters incidental to the session subjects. While the proclamation will formally convene the Legislature, there is no constitutional requirement that any legislation be enacted.

While most bills enacted during the regular session take effect the following January, special session bills take effect on the 91st day after adjournment of the special session, which also means that, if the business before the special session has concluded, then the special session should cease so that the 90-day clock can begin running.

Over the past 28 years, there have been 34 different special sessions; however, this will be the first such special session in six years. Governor Brown called the Legislature into five special sessions during his second 8-year term; Governor Schwarzenegger called 18 special sessions during his 7 years in office; and Governor Davis convened 5 special sessions during his 5 years in office.

Looking Forward

As noted above, the Legislature will convene for the 2023-24 Regular Legislative Session on December 5th. While the Legislature will be sworn into office on this day, and will adopt the rules that will govern the Regular Session, after the day's activities have concluded, they will return to their districts until January. The Legislature will begin the new session, in earnest, the first week of January.

The California Constitution requires that the Governor issue his January Budget proposal no later than January 10th. It will be at this time that the Administration will put forth its preliminary revenue estimates for the upcoming fiscal year, as well as revise the revenues and expenditures for the remainder of the current budget year. Shortly after the Governor releases his January Budget proposal, the Legislature will begin conducting informational hearings of the Budget Committees and the Budget Subcommittees to receive more detailed information on the Governor's budget proposals.

As part of the January Budget proposal, the Governor may ask the Legislature to consider trailer bills to make modifications to current year budget proposals (which were adopted last year) in order to adjust to the actual revenues that are coming into the State. If the Governor asks the Legislature to consider additional budget year trailer bills, it would be expected that those proposals would be released as part of the larger January Budget proposal.

MEMORANDUM
August 3, 2022

FS 22-09 | Via Website and Email

TO: Chief Executive Officers
Chief Business Officers

FROM: Fiscal Services Unit
Office of Institutional Supports & Success
College Finance and Facilities Planning Division

RE: 2022-23 Advance Apportionment

This memo details the 2022-23 Advance (AD) apportionment calculations for the Student Centered Funding Formula (SCFF) and various categorical programs. Associated exhibits are available on the Chancellor's Office Fiscal Services Unit Apportionment Reports website.

The July 2022 Advance certification for State General Apportionment is the 2021-22 First Principal apportionment amount plus 2022-23 COLA. There will be a revision to the Advance certification in September 2022, which will incorporate the additional 2022 Budget Act increases to the SCFF described in this memo.

General Background

The SCFF consists of three components: the base allocation, supplemental allocation, and student success allocation. The base allocation relies primarily on college and center size based on prior year data and current year Full Time Equivalent Student (FTES) enrollment. The supplemental allocation is based on prior year data, and the student success allocation is based on an average of three prior years of data. Generally, the Chancellor's Office certifies apportionments three times per year with the Advance Apportionment (AD) released in July, First Principal (P1) and Recalculation (R1) in February, and Second Principal (P2) in June. Additional certification revisions are completed as necessary.

At the Advance apportionment, the Chancellor's Office used assumptions and estimates for the major components of the SCFF to disburse resources for the first seven months of the fiscal year.

2022-23 Advance - July 2022

The July 2022 Advance certification for State General Apportionment is the 2021-22 First Principal apportionment amount plus 2022-23 COLA of 6.56%. The amount certified in July does **not include** the $26.7 million in funding for FTES growth, and $600 million in ongoing funding to increase the SCFF's funding rates for the base, supplemental, and student success allocations.

Exhibits

- Exhibit A (District Monthly Payments by Program)
- Exhibit B-4 (County Monthly Payment Schedule)
- Exhibit R (SCFF Apportionment Summary)

The Exhibit R is a summary document used in place of the Exhibit C at the Advance apportionment which identifies each district's components of the SCFF and the various revenue sources (i.e., General Fund, property taxes, enrollment fees, 2015-16 Full-Time Faculty Hiring, and EPA) used by the Chancellor's Office to fund each district's Total Computational Revenue (TCR). The State General Apportionment amount reflected in the Exhibit R **will be certified in the September 2022 Advance revision**. The September payment, and subsequent monthly payments will be adjusted to reflect the revised September 2022 Advance State General Apportionment certification.

Categorical Programs

At the July 2022 Advance, 32 categorical programs certified district allocations totaling $2.4 billion. Additionally, Foster Care Reimbursement, and Apprenticeship Training and Instruction, Local Education Agencies (LEA) have also certified allocations and their program-specific exhibits are posted on our website.

2022-23 Advance September 2022

The September 2022 Advance revision to the State General Apportionment will incorporate assumptions aligned with factors used to develop the 2022 Budget Act. The 2022 Budget Act includes a COLA of 6.56%, $26.7 million in funding for growth, and $600 million in ongoing funding to increase the SCFF's funding rates for the base, supplemental, and student success allocations. Additional categorical programs may be included in the September 2022 Advance revision.

The September 2022 Advance apportionment will provide the SCFF State General Apportionment certification that is based on the highest of the following:

- (A) 2022-23 SCFF calculated revenue,
- (B) 2021-22 SCFF calculated revenue plus 2022-23 COLA of 6.56%, or
- (C) Hold harmless revenue: based on 2017-18 TCR, plus 2018-19 COLA of 2.71%, 2019-20 COLA of 3.26%, 2020-21 COLA of 0.00%, 2021-22 COLA of 5.07%, and 2022-23 COLA of 6.56% compounded.

For the September 2022 Advance estimates, Full Time Equivalent Student (FTES) values are carried forward from the 2021-22 P2 data including any COVID-19 protections and emergency condition allowances. To the extent that restoration and growth would be possible given these protections, these potential revenues are considered in the September 2022 Advance calculations. Supplemental values are carried forward from the data set submitted on March 10, 2022. Student success values are calculated using the 2019-20 headcounts and 2020-21 headcounts twice to determine a three-year average from the data set submitted on March 10,

2022. To estimate property taxes, P2 property tax data is proportionally increased by 5.95% to align with Department of Finance projections. Enrollment fees are based on 2021-22 P2 data and Education Protection Account (EPA) funding is based on projections provided by the Department of Finance and subsequently calculated by the State Controller's Office.

Table 1 reflects the SCFF rates at the 2022-23 Advance (September 2022 revision) as modified by COLA and other base adjustments in the 2022 Budget Act. SCFF rates will be updated at the First Principal apportionment in February 2023 to reflect updated data and revenues.

Table 1: SCFF Rates at 2022-23 Advance (September 2022)

Category	2021-22 Rates	2022-23 Advance Rates
Credit	4,212	4,840
Incarcerated Credit	5,907	6,788
Special Admit Credit	5,907	6,788
CDCP	5,907	6,788
Noncredit	3,552	4,082
Supplemental Point Value	996	1,145
Student Success Main Point Value	587	675
Student Success Equity Point Value	148	170
Single College District		
Small	4,250,609	5,950,421
Medium	5,667,482	7,933,899
Large	7,084,352	9,917,373
Multi College District		
Small	4,250,609	5,950,421
Medium	4,959,046	6,942,161
Large	5,667,482	7,933,899
Designated Rural College	1,351,956	1,892,601
State Approved Centers	1,416,870	1,983,474

Category	2021-22 Rates	2022-23 Advance Rates
Grandparented Center		
Small	177,110	247,936
Small Medium	354,218	495,869
Medium	708,435	991,736
Medium Large	1,062,652	1,487,605
Large	1,416,870	1,983,474

Prior Year State General Apportionment Adjustment

The 2021-22 EPA funding allocation was updated by the Department of Finance in June 2022 from \$1,276 million to \$1,954 million. This resulted in an increase of \$677.9 million in 4th quarter payments. State general apportionment payments were subsequently adjusted down to reflect the increase in EPA payments in June. Any remaining adjustments to 2021-22 state general apportionment payments due to the increase in EPA funds will be made in September 2022 and will be displayed on the September 2022 Exhibit A as a Prior Year State General Apportionment Adjustment.

Funding Protections

There are several funding protections applicable under the SCFF, summarized below.

Hold Harmless (ECS 84750.4(h))	Districts receive no less than their 2017-18 TCR plus applicable cumulative annual cost of living adjustments through 2024-25. The 2022 Budget Act extends the Hold Harmless protection in a modified form. Starting in 2025-26, the Hold Harmless provision will no longer reflect cumulative COLAs over time. A district's 2024-25 TCR will represent its new "floor," below which it cannot drop.
Stability Protection (ECS 84750.4(g)(4)(A))	Commencing in 2020-21, declines in the SCFF TCR (excluding the hold harmless) are applicable in the year after the decline and include any applicable COLA. This protection is similar to the former FTES stability protection provided under SB 361, however is based on total SCFF TCR.
FTES Restoration protection	Ability to restore FTES that have declined in the previous 3 years. This protection is converted to a funding amount to provide flexibility.
Basic Allocation Protection	Declines in college and center Basic Allocation tiers are effective 3 years after the initial decline. Increases or new colleges or centers are eligible for funding in the year following the increase or establishment.

Emergency Conditions Allowances (Title 5 58146)	Emergency conditions protection from apportionment declines due to a variety of factors including natural disasters and pandemic.

SCFF Dashboard

Since adoption of the SCFF in the 2018-19 state budget, the Chancellor's Office has collaborated with system partners to develop tools and resources to support SCFF implementation. In early 2021, the Chancellor's Office released the SCFF Dashboard, a three-phase project to empower districts to analyze and use data for local implementation. Phase 2 of the SCFF Dashboard provided details around the supplemental and student success funding allocations and student counts within each of those portions of the formula for 2018-19 through 2020-21. While funding allocations are based on three-year averages in the student success portion of the formula, the Dashboard allows users to view one year data or three-year average data. Phase 2 also includes an evaluation of funding protections including the minimum revenue guarantee/hold harmless detailing whether the protection amount or the amount as a percent of TCR has increased or decreased. Many of the pages in the Dashboard allow users to compare between a single district to the statewide average or two different districts. This provides context about whether district outcomes are similar to other districts with similar characteristics. A subsequent data release in Phase 2 provided information about race and ethnicity in the supplemental and student success funding allocations.

SCFF Resource Estimator (Phase 3)

The SCFF Resource Estimator, which is planned for release in mid-August 2022, will provide districts with SCFF projections and planning tools.

The SCFF Resource Estimator allows users to change underlying factors within the base, supplemental, and student success allocations of the formula to estimate funding amounts in future years. Factors that can be adjusted include student enrollment and completion counts, cost of living adjustments (COLA), and local revenues, among others. The tool includes calculations for the current year, and four outyears. While current year data counts and funding amounts are populated, users can adjust counts and other factors.

Contacts

For questions regarding the SCFF please email scff@cccco.edu. For questions regarding specific categorical programs, please contact the appropriate staff specified in the Program Contacts list on our website. For general questions regarding this memo, please contact the Fiscal Services Unit at apportionments@cccco.edu.

SCFF Data and Apportionment Calendar

Item	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Apportionment Period	Advance							P1 and PY Recalculation				P2
% payment July to Jan = 60% Feb to May = 32% June = 8% Total 100%	8%	8%	12%	10%	9%	5%	8%	8%	8%	8%	8%	8%
CCFS 320 (FTES and AB540 data)	PY Annual (July 15)				PY Recal Report (Nov 1)		First Period (Jan 15)			Second Period (Apr 20)		
County Reported Property Tax and ERAF Report					PY Annual and CY Estimates (Nov 15)					CY Estimates (Apr 15)		
CCFS 323 Enrollment Fee Report			PY Annual (Sept 15)				CY Estimates (Jan 15)			CY Estimates (Apr 15)		
CCFS 311 (Financial Data)				PY Annual (Oct 10)								
Contracted District Audit Reports						PY (Dec 31)						
MIS Data for SCFF (Supplemental and Student Success Data)						Pre Final PY Annual (Dec 1)	PY Annual (Jan 15)		Final PY Annual (Mar 10)			
Supplemental and Student Success Data					Publicly Post (Nov 15)				Publicly Post (Mar 15)			

Legend

PY = Prior Year	P1 = First Principal	FTES = Full-Time Equivalent Student
CY = Current Year	P2 = Second Principal	CCFS = Community Colleges Fiscal Services
	R1= Recalculation	MIS = Management Information Systems
		SCFF = Student Centered Funding Formula

Student Centered Funding Formula Projections

Audit and Budget Committee

November 8, 2022

General Apportionment: Purpose and Calculation

The General Apportionment contains the Student Centered Funding Formula (SCFF). The State Chancellor's Office calculates this apportionment for four specific periods each year with the Advance, P1, P2, and Recalculation. Each of these apportionment periods may be recalculated several times. The minimum length of a single fiscal year's apportionment calculation cycle is 18 months, with the Advance occurring in July of the fiscal year and the Recalculation occurring in the February following the end of the fiscal year. The four apportionment periods are dictated by statute and are structured to provide the basis for monthly cash payments to districts throughout the year to ensure districts have sufficient cash on hand to meet their needs (primarily payroll). Each apportionment determines the next month(s) cash payment with a final settle-up payment with the Recalculation.

Because district data, including enrollment (FTES), Pell Grant and Promise Grant eligible student counts, completion data, actual property tax collection, and students fees are not finalized and reported until after the conclusion of the fiscal year, the apportionment calculation structure is largely based on prior year data and estimated adjustments until the final data is known with the Recalculation.

There can be significant variances between the apportionment calculations. These are driven by major changes in the funding formula and differences between prior year and actual enrollment, student counts and completions, student fees, and property taxes. In addition, these variances can result in funding deficits when the state-wide available funding isn't sufficient to fully fund all districts' actual SCFF funding.

Apportionment Period	Month Release	Payment Month	Data Description
Advance	July	July-January	Prior year data with estimated adjustments for property taxes. May also include major projections for SCFF changes
P1 (First Period)	February	February-May	FTES based on P1 reported FTES (Fall actual with projections for remaining year), otherwise estimates and projections
P2 (Second Period)	June	June	FTES based on P2 reported FTES (Fall-Spring with projections for Summer), student counts and completions as of March, otherwise estimates and projections
Recalculation (Annual)	February of Following Year	February of Following Year (settle-up)	Final FTES, student counts, completions, property taxes, enrollment fees

2022-23 Revenue Projections

Projected revenues for 2022-23 reflect a complexity unique to fiscal year 2022-23 comprised of three factors.

1) The State Budget included a $600 million augmentation of SCFF rates above the COLA. The SCFF rates will be recalculated, spreading the $600 million over the actual district metrics (FTES, student counts and completions). The State released their first calculation of these rates with the Joint Analysis of the State Budget. They then recalculated these rates with the Advance Apportionment (based on prior year data with estimates and projections). They will again recalculate these rates with the P1, P2, and Recalculation apportionments. The final rates will not be known until February 2024

2) The State Budget extended the Emergency Conditions Allowance for a final year. This was not a certain action and CCCD's adopted budget projections did not reflect the benefits of this allowance, which allowed the use of 2019-20 FTES instead of 2022-23 FTES and increased revenues above the Hold Harmless level, resulting in about $9 million in one-time funds over a two-year period.

3) State revenues have not met projections in any month to date in 2022-23. The Legislative Analyst's Office determined that it is very likely that state revenues will fall short between $5 and $10 billion. With the housing market slowdown, there are also concerns that the projected property tax increase of 5.95% may not be achieved. As a result, there could be a funding deficit.

CCCD revenue projections were based on the rates from the Joint Analysis. Those projections will be updated with the recalculated rates from the P1 apportionment as the P1 rates, which will be based on year-to-date enrollment data, will be more reliable. The revenue projections will again be updated with each subsequent apportionment calculation's rates. As has been the practice for several years, CCCD revenue projections also include a 0.5% funding deficit.

While the State's 2022-23 Advance Apportionment (based on prior year data with estimated adjustments) is $4.9 million greater than CCCD's current projected revenues. It should be noted that a reconciliation between CCCD projections and the Advance Apportionment is not typically performed as the Advance Apportionment is intended to provide a basis on which monthly cash payments to districts are calculated and is based only on prior year and state-wide estimates. Furthermore, a funding deficit of 3%, as anticipated by some, would decrease revenues by $6.9 million. CCCD's revenue projections reflect prudent assumptions and will be updated when more reliable assumptions are available.