

ACBO Spring Conference

Chancellor's Office Update

College Finance and Facilities Planning Division
May 22, 2019

Budget Update



Proposition 98 grows modestly, with most new funds allocated to new reserve

FY	Source	GB	MR	Amount	Percent
2017-18	General Fund	\$52,887	\$52,834	-\$53	-0.1%
	Local property tax	22,610	22,625	15	0.1%
	Total	\$75,497	\$75,459	-\$38	-0.1%
2018-19	General Fund	\$54,028	\$55,445	\$417	0.8%
	Local property tax	23,839	23,701	-138	-0.6%
	Total	\$77,867	\$78,146	\$279	0.4%
2019-20	General Fund	\$55,295	\$55,903	\$608	1.1%
	Local property tax	25,384	25,166	-218	-0.9%
	Total	\$80,679	\$81,069	\$390	0.5%

May Revision primarily adjusts expenditures for January proposals

Adjustment	January	May	Change
Provide COLA for Student Centered Funding Formula	\$248	\$230	-\$18.3
Expand California College Promise	40	45	5.2
Fund 0.55% enrollment growth	26	25	-1.3
Adjustment Student Success Completion Grant	11	18	7.5
Provide COLA for certain categorical programs	14	13	-0.9
Maintain legal services to undocumented students	10	10	0
Use one-time funds for Strong Workforce	-77	-1	75.2
Backfill federal funds for foster parent program	0	0.4	0.4
Fund deferred maintenance and equipment	N/A	N/A	N/A

SCFF implementation continues under Governor's spending plan

- The May Revision proposes continued SCFF implementation with three refinements proposed in January:
 - For 2019-20, using 2018-19 funding rates adjusted by COLA
 - Capping year-to-year growth in a district's student success allocation to 10% beginning in 2019-20.
 - Refining the definition of a transfer outcome for the student success allocation, effective for 2018-19.
- The administration plans to consider revisions to the SCFF as part of the 2020-21 budget process. Given those pending decisions, the administration proposes to extend the SCFF minimum revenue provision.

May Revision assumes lower SCFF costs, higher revenues

	April P1	May Revision	Difference
Total Computational Revenue	\$7,214	\$7,165	-\$49
Base	\$4,918	\$4,919	\$1
Supplemental	1,396	1,391	-5
Student success	7,102	7,049	-48
Minimum Revenue	112	116	4
Available Revenues	\$6,986	\$7,165	\$178
General Fund	\$3,604	\$3,641	\$37
Local property tax	2,919	3,056	137
Other	463	468	5
Shortfall	-\$228	0	\$228

No major adjustments to other proposals

- **Cal Grant Expansion**—The May Revision makes no change to the Governor’s January proposal for Cal Grants, which expands the number of competitive Cal Grants and creates a new supplemental award for Cal Grant recipients enrolled in one of the public segments and who have dependent children.
- **Relief on Pension Costs**—In January, the Governor proposed a payment of \$350 million in 2019-20 and 2020-21 to reduce district CalSTRS contributions. The May Revision increases the 2019-20 payment to \$500 million.
- **Longitudinal Data System**—In January, the Governor proposed \$10 million to plan a statewide longitudinal data system connecting information from education providers, employers, and workforce and health and human service agencies. The administration proposed trailer bill language earlier this year to establish a planning workgroup of these “partner entities.”

Capital outlay projects added in April

- The Governor's January budget proposal included \$358.7 million in capital outlay funding from Proposition 51, approved by voters in 2016. The funding is to support 15 continuing projects and 12 new projects.
- The administration's April budget adjustments proposed an additional \$2.5 million in Proposition 51 funds to augment one of the new projects proposed in January and to support three more new projects.
- 24 new projects and five previously approved projects included in the BOG request are not included in the Governor's proposal.

Some additional support proposed for Chancellor's Office operations

- The Governor's January budget proposal for 2019-20 included three substantive changes for state operations, all from non-Proposition 98 General Fund:
 - \$5 million one time for outreach related to the California College Promise.
 - \$435,000 one time to support the work of the SCFF Implementation Oversight Committee.
 - \$135,000 ongoing for an information security officer.
- The Governor's May Revision proposal adds \$381,000 in non-Proposition 98 General Fund to support three positions. Two positions are for accounting and one is for monitoring districts' fiscal health.

Budget will close in coming weeks

- The Legislature's budget subcommittees have taken their final actions.
- The budget conference committee is expected to convene next week to resolve differences between the two houses' versions of the budget.
- The Legislature must approve a budget by June 15, with a July 1 start of a new fiscal year.

Fiscal Health Monitoring and Support



Intent

- In monitoring the fiscal condition of community college districts, the Chancellor's Office's goal is to prevent cases where it would be necessary to appoint a special trustee or seek an emergency appropriation.
- This process is also intended to target the limited resources available for intervention, including Chancellor's Office staff, Institutional Effectiveness Partnership Initiative (IEPI) funds, and Fiscal Crisis and Management Assistance Team funds.

Analysis

- The Chancellor’s Office will analyze the budget and financial data submitted by districts in the 320 reports.
- In general, this analysis will be presented to the Board each year in January.
- The analysis uses two measures to understand a district’s fiscal condition:
 - The “ending balance ratio,” which is the district’s Unrestricted General Fund ending balance, divided by the district’s Unrestricted General Fund expenditures in that year.
 - The “surplus ratio,” which is the district’s Unrestricted General Fund revenues less the Unrestricted General Fund expenditures, with that difference divided by the Unrestricted General Fund expenditures.

Table of Support and Intervention

Surplus Ratio	Ending Balance Ratio		
	<i>Less than 5%</i>	<i>Between 5% and 10%</i>	<i>10% and Greater</i>
<i>Positive Ratio</i>	High Risk Possible FCMAT Review	No Immediate Action	No Immediate Action
<i>Negative Ratio (Deficit Less than 5%)</i>	Immediate Action Required FCMAT Review; Possible Special Trustee	Moderate Risk Request for Fiscal Health Risks Analysis	No Immediate Action
<i>Negative Ratio (Deficit 5% or Greater)</i>	Immediate Action Required FCMAT Review; Possible Special Trustee	High Risk Possible FCMAT Review	Moderate Risk Request for Fiscal Health Risks Analysis

Further Updates

- SCFF Data Review
- Board of Governors' Climate Change and Sustainability Goals
- Student Housing



Fiscal Services Unit Update



Exhibit C

Updated to reflect the 18-19 TCR Calculation.

Total Computational Revenue and Revenue Source		
Total Computational Revenue		
I. Base Allocation		\$ 41,898,355
II. Supplemental Allocation		11,414,899
III. Student Success Allocation		7,068,986
IV. Other Adjustments		-
	SCFF Calculated Revenue	<u>\$ 60,382,240</u>
	2017-18 Total Computational Revenue + COLA	60,006,490
	2018-19 Total Computational Revenue	60,382,240
	Constrained 2018-19 Total Computational Revenue*	60,382,240
	Difference between Constrained 2018-19 TCR and 2017-18 TCR + COLA	375,750
	Funding above the 2017-18 TCR + COLA	72,704
	Adjusted 2018-19 TCR Reflecting Available Revenues	<u>\$ 60,079,194</u>
Revenue Sources		
Property Tax		\$ 18,170,507
Less Property Tax Excess		-
Student Enrollment Fees		2,482,620
<u>State General Apportionment</u>		
General Apportionment	\$ 30,255,106	
Full-Time Faculty Hiring Apportionment (2015-16 Funds Only)	<u>498,058</u>	
Total State General Apportionment		30,753,164
Education Protection Account		8,672,903
	Total Available Revenue	<u>\$ 60,079,194</u>

320 Attendance Report

The changes are included under District Forms, Part IX, which was modified as follows:

- AB 540 Headcount & Special Admit FTES is now reported at each reporting period (first, second, annual, and recal). Prior to this change, this data was not reported for at the first reporting period (P1).
- A field was added for districts to provide the number of FTES (credit, noncredit, and total) generated by incarcerated students eligible to attend the Colleges of the District pursuant to Ed Code Section 84810.5(a)

Contact Information
 • ccfs320admin@ccco.edu

Part IX - AB 540 Headcount, Special Admit FTES and Inmates in Correctional Facilities FTES

Antelope Valley Login Role: Fiscal Services Administrator

2018-2019 P1 Period

*** This Year/Period has been certified. Page is view only ***

AB 540 Student Headcount Report

In the space provided below, for the District as a whole, please provide the total number of students who received the Nonresident tuition fee exemption under AB 540 for the Fiscal Year. This total should include any student that was considered to be an AB 540 student during any part of a term/session and should be an unduplicated student headcount (e.g., please count each student only once, regardless of how many terms/sessions they attended). This data collection will be considered to be a limited survey instrument and not tied or associated with FTES counts. Supporting documentation does not need to be submitted with this report.

Headcount

442

Special Admit (Full-Time and Part-Time) P.E. Credit FTES Report

In the spaces provided below, please provide the requested districtwide Fiscal Year FTES information of special "admit" part-time and full-time students eligible to attend the Colleges of the District pursuant to Education Code Section 48800.5. Please refer to Legal Advisory 05-01 and the Contracted District Audit Manual for the Fiscal Year, State Compliance Item No. 427.

Total FTES of Special Part-Time and Full-Time Students Col. 1	Total FTES of Special Part-Time and Full-Time Students in P.E. Courses Col. 2	Total Reported* FTES of Special Part-Time and Full-Time Students in P.E. Courses Col. 3	Percent of Reported* FTES of Special Part-Time and Full-Time Students in P.E. Courses (Col. 3/Col. 1)
193.90	3.58	3.58	1.85 %

Inmates in Correctional Facilities FTES

In the spaces provided below, please provide the requested districtwide Fiscal Year FTES information of incarcerated students eligible to attend the Colleges of the District pursuant to Education Code Section 84810.5(a).

Total FTES of Incarcerated Students Col. 1	Credit FTES of Incarcerated Students Col. 2	Noncredit FTES of Incarcerated Students Col. 3
5.64	5.64	0.00

* Reported "FTES" amounts should represent amounts that are subsets of FTES data certified and reported in the corresponding CCFS-320 - Resident FTES, Part I., A. through D. FTES shall be computed and rounded to two decimal places. Supporting documentation does not need to be submitted with this report, but should be retained by the District as records basic to audit pursuant to Title 5 Section 59025.



Emergency Conditions Allowance

- Proposed regulatory changes to provide align with the SCFF and clarify current ambiguities in the process of granting emergency conditions allowances.
- Presented to the BOG for a first reading on May 20th.
- The BOG must hold a public hearing for receipt of comments, both written and oral, concerning the proposed action.
- Anticipated adoption at the BOG July 15, 2019 meeting.

Student Attendance Accounting Manual

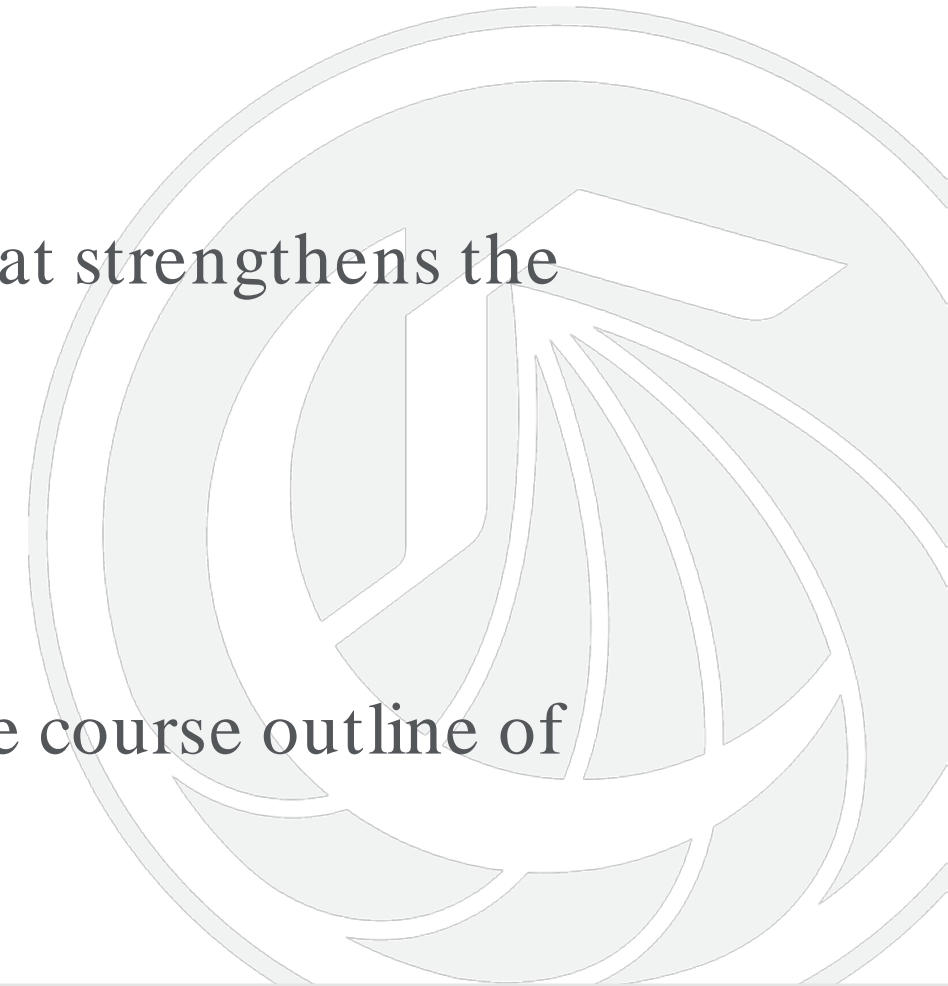
The Student Attendance Accounting and Reporting (StAAR) Committee is finalizing the revisions to the SAAM. The SAAM has not been updated since 2001. We hope to have a newly updated SAAM by Summer 2019. The goal is to make the SAAM a living document so that changes can be made periodically to keep it as up to date as possible.

Apportionment for Tutoring

Apportionment may be claimed for tutoring that strengthens the following skills:

- Communication/literacy skills
- Quantitative reasoning skills
- Critical thinking skills

One or more of these skills must be listed in the course outline of record and course syllabi.



Apportionment for Noncredit Courses

§ 58003.3. ALIEN STUDENTS. APPORTIONMENT FOR NONCREDIT COURSES

Notwithstanding section 68062 of the Education Code, for the purposes of crediting community college attendance for apportionments from the State School Fund, a community college district may claim the attendance of students living in California who have been lawfully admitted to the United States in accordance with all applicable laws of the United States and enrolled in noncredit courses in the district.

Recently Passed Legislation AB 3101 (Carillo, 2018)

Adds section 68086 to the Education Code. This section exempts students enrolling in only noncredit courses from the residency classification requirements.

68086.

(a) A student seeking to enroll exclusively in career development and college preparation courses, and other courses for which no credit is given, at a community college shall not be subject to the residency classification requirements of Article 3 (commencing with Section 68040).

(b) Nothing in subdivision (a) shall prohibit the Chancellor of the California Community Colleges from collecting residency data, for a student described in subdivision (a), that is voluntarily submitted by the student after he or she enrolls at a community college.

Tools and Resources

- Go to <http://iepi.cccco.edu/> to view previously recorded webinars.
- Chancellor's Office website:
<http://extranet.cccco.edu/Divisions/FinanceFacilities/StudentCenteredFundingFormula.aspx>
- Send your comments/questions to the SCFF Inbox: SCFF@ccco.edu

FCMAT Calculator

- In partnership with the Fiscal Crisis and Management Assistance Team (FCMAT), the [SCFF Calculator](#) was updated
- Districts can use this tool for multi-year budgeting projections. To support that work, a [help desk](#) is available to provide committed support to calculator users.
- Please join their SCFF Listserv!

Fiscal Standards and Accountability Unit Update



Fall 2018 Faculty Obligation Number

Statewide FON	17,184.60	<i>(ranges from 10.7 to 1,560.8)</i>
<u>Statewide Actual FTEF</u>	<u>19,275.30</u>	<i>(ranges from 33.3 to 1,561.2)</i>
Statewide FTEF Over FON	2,090.70	<i>(ranges from 3.4 to 347.2)</i>

Statewide Full-Time Faculty Percentage = 56.7%

FON Penalties to be transferred to the EEO Fund:

2 districts penalized for a total of 4.4 FON at \$77,063 = \$339,077

Upcoming Due Dates

- June 1
 - P-T Faculty Health Benefits & Office Hours Claim Forms for P2 distribution (by August 1 for Recal distribution)
- September 1
 - Application for Fiscal Independence (including Audit and County recommendation)
- September 15
 - Exemption from 50% Law Request
- October 10 –
 - Certify Annual Financial & Budget Report (Lottery Report, Gann Limit, 50% Report) CCFS-311
- Ongoing
 - Auxiliary Implementing Regulations (new and revised)
 - Auxiliary Organization Audits

Overdue Submissions

- Nonresident Tuition Fee (due March 1)
- Notification of Audit Firm (due May 1)
- Certification of CCFS-311Q for Third Quarter Financial Report (due May 15)

Budget and Accounting Manual Revision



Why Review District Audits?

- District Fiscal Health
- Compliance with Principles of Sound Fiscal Management
- Pension and OPEB data
- Compliance with Categorical Program Guidelines and Regulations
- Gather information on Auxiliary Organizations

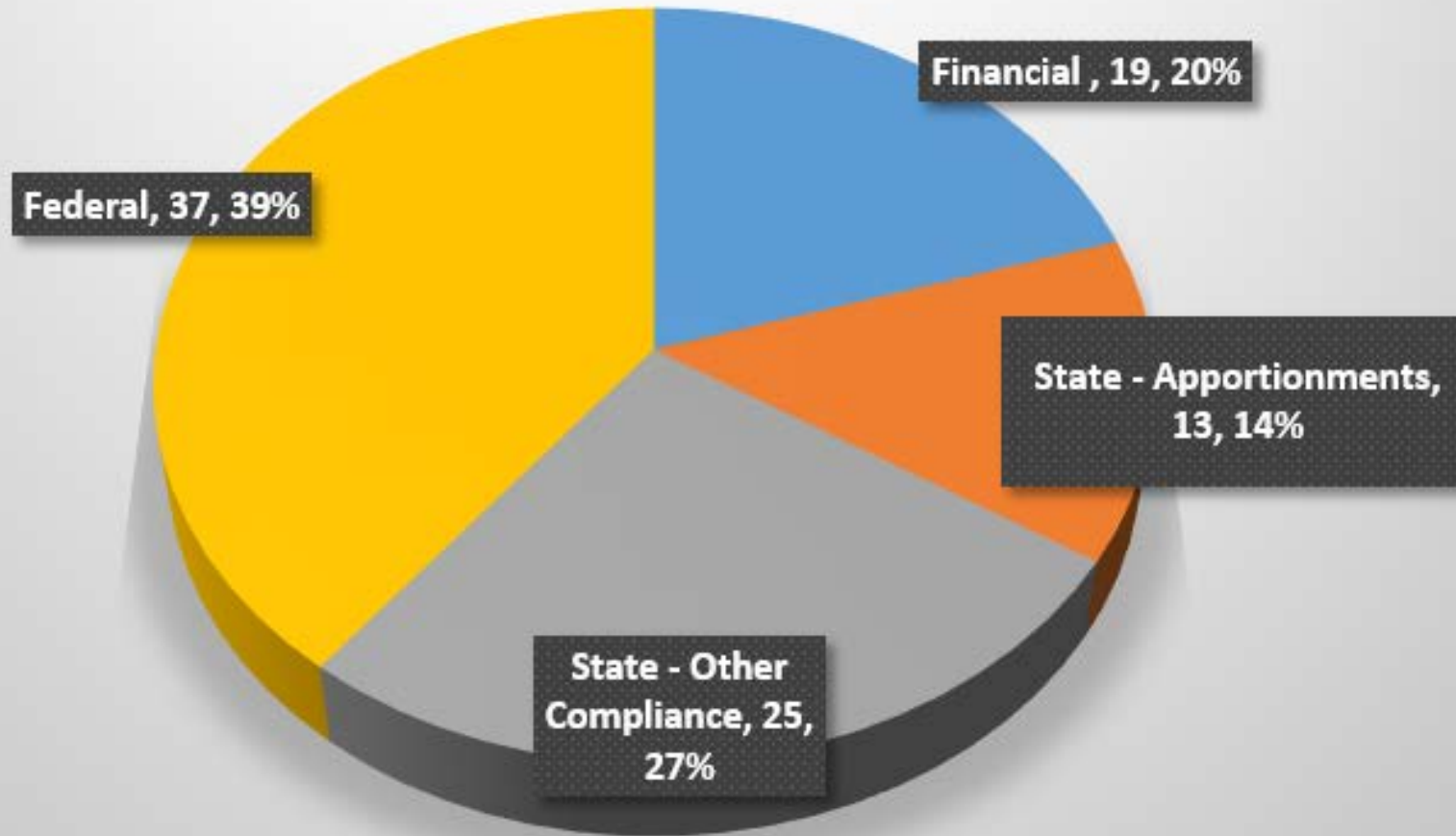


Principles of Sound Fiscal Management

Title 5, section 58311

1. Fiscal stability through responsible stewardship of resources
2. Asset management
3. Personnel management
4. Auxiliary activities
5. Org structure establishes responsibility and accountability
6. Governing Board kept informed on fiscal condition
7. Develop and communicate fiscal policies, objectives, procedures, and constraints to the board, staff, and students
8. Accurate and reliable management information system
9. Appropriate policies & procedures; Adequate controls
10. Process to evaluate fiscal changes and adjust
11. Short and long-term financial planning, coordinated with educational planning
12. Capital outlay budget consistent with five-year plan

2017-18 Annual Financial Audit 94 Findings at 31 Districts



2017-18 Audit Submission Dates

- 63 on time
- 7 up to one month late
- 2 over 2 ½ months late



2017-18 Audit Opinions

- 😊 72 Unmodified Financial Statement Opinions
- 1 Qualified Federal Compliance Opinion
- 7 Qualified State Compliance Opinion



2017-18 Audit Findings and Management Letter Issues

- 15 districts had unresolved findings/issues
 - 10 districts with repeat audit findings
 - 5 districts with repeat management letter issues
- 9 districts had findings with a funding impact
(Questioned FTE\$ or \$students Served)



2017-18 Audit Internal Controls

- Significant Deficiency in Internal Controls
 - 8 districts - Financial Statements
 - 15 districts - Federal Programs
 - 11 districts – State Compliance
- Material Weakness in Internal Controls
 - 5 districts – Financial Statements
 - 1 district – Federal Programs



2017-18 Audit Findings - Financial Reporting

- Lack of internal controls resulted in material errors and adjustments.
- CCFS-311 Annual Financial and Budget Report not accurate.
- Lack of fund reconciliations.
- Inadequate closing process.
- Lack of supporting documentation,
- Prior year audit adjustments not posted.
- Accruals not cleared, unsupported balances, untimely reconciliations
- Federal and State award incorrectly recorded.
- No procedure to ensure employee vacation time is recorded.

2017-18 Audit Findings

Financial Reporting – Cash Controls

- Pre-numbered receipt not given for cash received from employees/departments
- Bank accounts not reconciled timely



Audit Findings

Financial Statement – Capital Assets

- Capital Asset schedule incorrect, Construction in progress not reconciled.
- Capital Asset accounting incomplete, unreconciled. Depreciation schedule not maintained. Physical Inventory not conducted.



2017-18 Audit Findings

Financial-Other

- Deficit load banking balance – faculty paid for F-T but taught less than F-T
- IT access controls not implemented
- Lack of review for fee waiver eligibility
- Deficit spending and low reserves
- SOD/inappropriate access to both HR and Payroll records
- Lack of procedures/controls over district over district issued credit cards (CALCards)

2017-18 Audit Findings Federal

- Return to Title IV filed late or incorrectly calculated
- FISAP, COD, NSLDS reports filed late
- SAS files not reconciled
- Pell Grant Awards miscalculated
- Federally purchased equipment not inspected
- Matching funds waiver not verified
- Not enough participants in SSS program
- Vendor not found in System of Award Management
- Number of program participants miscalculated by information system
- No support for number of participants
- SEFA data incorrect
- Enrollment Rosters incorrect
- Student application data incorrect
- Payroll costs not properly allocated

2017-18 Audit Findings

State General Apportionment

- Contact hours miscalculated or unsupported
- Information system incorrectly included hours during spring break
- Actual hours unsupported by instructors' rosters
- To Be Arranged Hours not supported by attendance records

**All FTES/Contact Hours findings
should be corrected by the district
on the CCFS320 (Recal- Nov 1)
with a reference to the audit finding**

2017-18 Audit Findings

Other State Compliance

- Apprenticeship RSI unsupported
- Residency determination unsupported
- Catalog and Class Schedule information not in agreement
- Missing Academic Accommodation Plan for DSPS students
- SSSP services not supported or reported incorrectly in MIS
- Instructor did not meet minimum qualifications
- Gann Limit incorrectly calculated

2018-19 CDAM

Removed:

- Section 428 – Student Equity
- Section 429 – Student Success & Support Program Funds
The Student Equity and Student Success & Support programs have been replaced by the Student Equity Achievement Program.
- Section 440 – Intersession Extension Program
The Education Code that created this program was repealed.

2018-19 CDAM

Revised:

- Section 423 – Retitled to “Apportionment for Activities Funded From Other Sources” from “Apportionment for Instructional Service Agreements/Contracts.”
- Section 424 – State General Apportionment Funding System
The background and criteria sections now reflect the newly enacted Student Centered Funding Formula (SCFF). In addition, some apprenticeship programs are now eligible to claim full-time equivalent students for apportionment purposes.

2018-19 CDAM

Revised:

- **Section 425 – Residency**

Determination for students cross-enrolled through the online course exchange of the Online Education Initiative Consortium is that of home college.

- **Section 427 – Dual Enrollment**

(1) CCAP agreements with charter schools are now allowed and (2) closed courses for eligible high school students in person or online are allowed.

2019-20 CDAM



Facilities Planning and Utilization Unit



CCC Facilities Needs, 2019-20

- 5-year Facilities Needs = \$23B
- 10-year Facilities Needs = \$42.5B

- Enrollment Growth Needs = 7MASF
- Modernization Needs = 29.4MASF
 - 62% of buildings: over 25 years old
 - 50% of buildings: over 40 years old



Prop 51- Implementation

- 2017-18 State Budget
 - \$16.9M- 15 new projects
Preliminary Plan Phase only
- 2018-19 State Budget
 - \$40.2M– 15 continuing projects
Working Drawing Phase
 - \$9.6M– 6 new projects
P and W Phases
- *201920 Proposed Plan*
 - *\$503M- 19 continuing projects
Construction and Equip Phases*
 - *\$48.3M-39 new projects
P and W Phases*
- *201920 May Revise Proposed*
 - *\$341M- 15 continuing projects*
 - *\$20.6M- 15 new projects PW
Phases*

Prop 51- Implementation

- As of 2019-20 May Revise Proposed
 - \$734M of Projects – 37%
 - \$1.3B Proposed – 63%
- Department of Finance
 - Message is still Fire, Life, Safety
 - Local contribution needed



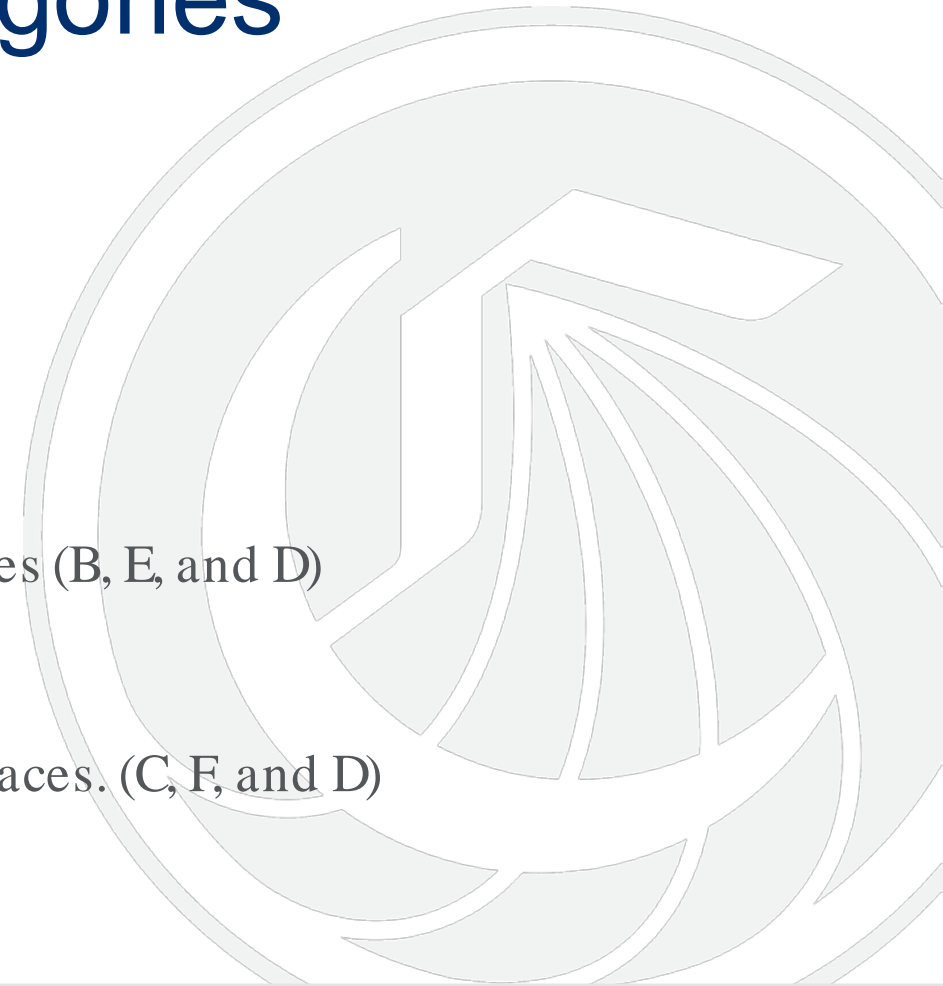
Capital Outlay

- Additions to align with the *Vision for Success*
- Worked with ACBO Facilities Task Force
- Simplify categories
- Improved metrics and project scoring
- Next - update cap/load ratio formulas



Capital Outlay Simplified Categories

- Three categories
 - Category A(stays the same)
 - To provide for safe facilities and activate existing space
 - Up to 50% of the total
 - Category G(Growth)
 - To increase instructional and institutional support spaces (B, E, and D)
 - 35% of the remaining total
 - Category M(Modernization or Replacement)
 - To modernize instructional and institutional support spaces. (C, F, and D)
 - 65% of the remaining total



Capital Outlay

- 2019 Call letter
 - 5 Year Plan, FPPs, and IPPs due on July 1, 2019
- Proposed Timeline
 - FY20/21 FPPs – Simplified categories / current metrics, due on Aug 1, 2018
 - FY21/22 FPPs – Simplified categories / current metrics, due on July 1, 2019
 - FY22/23 IPPs – Simplified categories / new metrics, due on July 1, 2019

Proposition 39 Update

- Chancellor's Office close-out deadline is June 28, 2019
 - August 30, 2019 - Close-out date extension
 - Extension requirements
 - CBO signed letter
 - District guarantee that project will be closed-out
 - Contact IOU and Willdan for paperwork update and verification
 - **District will payback to the State if project does not close-out on new agreed upon date**
- Final Citizen's Oversight Board report due Fall 2019

Proposition 39 Update

Total Projects Approved	Total Prop 39 Funds Encumbered	Total Projects Not Closed-Out	Total Projects Installed and Ready for Close-Out	Funding Encumbered for Projects Not Closed-Out	Prop 39 Funds Available from Project Savings
931	\$184,904,000	245	144	\$62,585,432	\$9,500,616

- 19 Districts have been granted extensions for a total of 86 projects

*As of May 9, 2019

Proposition 39 Team Contact Information

Investor Owned Utility

Contact your account
manager/representative

Chancellor's Office

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Willdan Group, Inc.

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Questions

