



California Community Colleges

MEMORANDUM

Apportionments 19-03 | Via Website

February 25, 2020

TO: Chief Executive Officers
Chief Business Officers
District Staff

FROM: Fiscal Services Unit
College Finance and Facilities Planning Division

RE: 2018-19 Recalculation and 2019-20 First Principal Apportionment Calculations

The 2018-19 Recalculation (R1) and 2019-20 First Principal (P1) apportionment calculations for the Student Centered Funding Formula (SCFF) and various categorical programs are complete and reflected in February disbursements. Associated exhibits are available on the Chancellor's Office [website](#). For support with any issues obtaining needed information, please email apportionments@cccco.edu.

GENERAL BACKGROUND

The SCFF consists of three components: the base allocation, the supplemental allocation, and the student success allocation. The SCFF funds districts using a base allocation tied to enrollment, a supplemental allocation based on student demographics correlated with higher need students, and a student success allocation based on outcomes. Generally, the Chancellor's Office releases apportionment memos three times per year:

- P1 and R1 – February
- Second principal (P2) apportionment – June
- Advance principal apportionment - July

2018-19 R1

EXHIBITS

- District Monthly Payments by Program, Exhibit D
- 2018-19 Recalculation by District, Exhibit C (formerly titled as Exhibit E)

BACKGROUND

The 2018-19 R1 apportionment makes the following revisions to the 2018-19 P2 apportionment:

- Updated offsetting revenues, including district reported property taxes and student enrollment fees.
- Use of a proportional deficit to districts with a Total Computational Revenue (TCR) above the 8.13% constrained growth limitation used at P2 to address the \$3.4 million gap between necessary and available General Fund.
- Updated full-time equivalent students (FTES) data.
- Other minor adjustments.

GENERAL FUND DEFICIT

After validating and applying updated data necessary to compute the TCR, a General Fund deficit of \$3.4 million exists between the calculated TCR of \$7.199 billion and available revenues of \$7.195 billion. At the 2018-19 P2, the Chancellor's Office addressed the estimated revenue deficit of \$103 million by limiting a district's 2018-19 TCR increases to 8.13% above its 2017-18 TCR. At R1, a similar methodology was used by applying a proportional reduction to districts with funding levels above the 8.13% limitation based on their proportion of entitlement above that limitation. This is consistent with the methodology that was previously communicated to districts.

OFFSETTING REVENUES

Net offsetting property tax revenues increased by \$98.7 million from P2 to R1 while offsetting enrollment fee revenues decreased by \$12.9 million. Given the importance of the accuracy of this information, additional time was invested to analyze discrepancies between district and county reported property tax revenues as well as differences between enrollment fees reported in the annual 311 report and the district enrollment fee revenue report. Table 1 below compares relevant components of the TCR at the P2 and R1 points-in-time and resources appropriated at the 2018 Budget Act and related legislation.

Table 1

2018-19 R1 TCR (rounded in millions)	2018 Budget Act	P2 June 2019	R1 February 2020	R1 to P2 Difference	R1 to Budget Act Difference
Base	\$4,919	\$4,950	\$4,945	\$ (5)	\$ 26
Supplemental	1,391	1,396	1,396	0	5
Student Success	739	739	739	0	0
Total	\$7,049	\$7,085	\$7,080	\$ (5)	\$ 31
Hold Harmless Adjustment	116	123	119	(4)	3
Total Computational Revenue	\$7,165	\$7,208	\$7,199	\$ (9)	\$ 34
Available Revenues					
General Fund / EPA	\$3,645	\$3,652	\$3,655	\$ 3	\$ 10
Net Local Property Tax	3,056	2,986	3,085	99	29
Enrollment Fees	464	466	453	(13)	(11)
Adjustments	0	0	2	2	2
Total Available Revenues	\$7,165	\$7,104	\$7,195	\$ 91	\$ 30
Surplus (Deficit)	\$ -	\$(104)	\$ (4)	\$100	\$(4)

OTHER NOTEWORTHY UPDATES

Below are various noteworthy items:

- Credit FTES revenue calculations and displays were updated to clearly reflect the amount of standard, special admit, and incarcerated credit FTES and the impacts on restoration authority, growth, and declines.
- FTES rates were updated for districts with higher differential rates to be consistent with the way base increases were applied in 2017-18.
- An annual installment payment from the San Francisco Community College District (CCD) was incorporated, which served to reduce the statewide revenue shortfall.
- Growth funding was limited to calculated targets rather than up to full enrollment as was inadvertently allowed at P2.
- Emergency conditions allowances were applied to Butte CCD and Sonoma CCD.
- Compton CCD and San Francisco CCD apportionments were calculated under the special FTES and restoration provisions specified in Education Code, Section 84750.4.

To the extent any 2018-19 audit findings related to apportionments are applicable, the Chancellor's Office anticipates releasing an updated 2018-19 R1 to reflect those adjustments.

2019-20 P1

EXHIBITS

- District Monthly Payments by Program, Exhibit A
- County Monthly Payment Schedule, Exhibit B-4
- 2019-20 First Principal by District, Exhibit C

BACKGROUND

The 2019-20 advanced apportionment provided districts with estimated funding levels based on 2018-19 P2 calculations. Specifically, districts received one of the following:

- The minimum revenue provided under the formula, which is 2017-18 TCR, with the 2018-19 COLA of 2.71% and 2019-20 COLA of 3.26%, compounded.
- The “constrained TCR,” which was displayed in the 2018-19 second principal apportionment exhibits. That amount represents the lesser of the 2018-19 TCR or the 2017-18 TCR adjusted by 8.13% (three times the 2018-19 COLA of 2.71%).

This 2019-20 P1 apportionment calculation implements the second year of the SCFF as specified in law.

2019-20 RATES

In addition to the traditional use of reported 2019-20 FTES and offsetting revenue data to calculate district funding levels, the Chancellor’s Office was tasked with calculating the standard credit FTES rate (including associated rates for districts with differential standard FTES rates) and the 13 different rates used in the supplemental and student success components of the SCFF based on 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 common agreement on interpretation of the statute. The general intent of statute is to set rates in a manner that reflects a 70, 20, and 10 percent of 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 includes four other FTES categories and basic allocations that continue to be funded as they were under the former funding formula (SB 361). The Chancellor’s Office calculated the specified rates as displayed in the Exhibit C which results in a base allocation that is slightly above 70 percent of TCR, and supplemental and student success allocations that are slightly below 20 percent and 10 percent of TCR, respectively. This is consistent with previous communications from the Chancellor’s Office.

Rates may change slightly prior to P2 when updated FTES data is available (which is a critical component of setting the specified rates). Further, districts will again be able to update SCFF supplemental and student success data to ensure accuracy of the information. These updates will also impact rates and be used to calculate 2019-20 P2 and R1 apportionments. However, the rates at P2 will be memorialized in statute as part of the 2020 Budget Act. Beginning in 2020-21, those SCFF rates would simply be adjusted by COLA, and the distribution of funds across the three allocations would be determined by changes in the underlying factors.

AVAILABLE RESOURCES

Since the Chancellor’s Office was tasked with setting rates based on TCR determined by the Department of Finance, the P1 calculated TCR is nearly identical to what was estimated and

does not contribute to a revenue shortfall. However, property tax and enrollment fee estimates used in determining General Fund amounts for the SCFF at the 2019-20 Budget Act are significantly higher than what has been reported at P1. Specifically, there is a \$214.7 million shortfall in net offsetting property taxes and a \$34.2 million shortfall in offsetting enrollment fee revenue. These are the primary variances that result in a \$250 million General Fund shortfall. See Table 2 below for details.

At P1, it is not uncommon to see lower property taxes and Education Revenue Augmentation Fund estimates than are ultimately reflected at R1. Education Code, Section 84207 requires county auditors to report to the Chancellor’s Office property tax revenues for each community college district or portion of a district situated within a county. Estimates at P1 are based on reporting available by counties.

Table 2

2019-20 P1 (rounded in millions)	2019-20 BA	2019-20 P1	BA to P1 Difference
Base	\$5,096	\$5,184	\$ 88
Supplemental	1,414	1,390	(24)
Student Success	798	695	(103)
Total	\$7,308	\$7,269	\$ (39)
Hold Harmless Adjustment	122	155	33
Total Computational Revenue	\$7,430	\$7,424	\$ (6)
Available Revenues			
General Fund	\$2,731	\$2,731	\$ (0)
Net Offsetting EPA	985	977	(8)
Net Offsetting Local Property Tax	3,244	3,029	(215)
Enrollment Fees	466	432	(34)
Other Offsetting Revenues	4	5	1
Adjustments	0	0	0
Total Available Revenues	\$7,430	\$7,174	\$(256)
Surplus (Deficit)	\$ 0	\$(250)	\$(250)

REVENUE DEFICIT METHODOLOGY

To align TCR with budgeted resources, application of a proportional deficit to all district TCR is required. Consistent with past practice, feedback from stakeholders, and to equitably distribute the share of General Fund shortfalls, the Chancellor’s Office will apply a proportional deficit to all districts’ TCR in 2019-20 and moving forward.

Challenges with revenue estimates are a long-standing issue for California Community Colleges and the Chancellor’s Office which they have attempted to resolve through discussions with the Governor and Legislature. 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. As previously noted, P1

revenues have historically been reported lower by counties and districts than revenues 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.

STABILITY PROTECTION

After conversations with the Department of Finance, the Chancellor's Office determined that FTES based stability protection should not be provided to CDCP and noncredit FTES under the SCFF. This change is reflected in the 2019-20 P1 apportionment. We would note that beginning in 2020-21, the SCFF will provide stability protection based on a district's year-over-year TCR changes rather than FTES changes only.

SCFF CALCULATOR

When the SCFF was adopted, the Chancellor's Office and the Fiscal Crisis and Management Assistance Team (FCMAT) united to produce a tool for districts to project critical SCFF revenues during this change, known as the SCFF Calculator. This tool was created to help districts develop local projections and support local decision-making through analyzing alternative scenario outcomes.

The 2019-20 Budget Act made several changes to the SCFF. One of those changes is that rates for metrics in all three SCFF funding allocation streams will be set in statute for the 2020-21 fiscal year. Additionally, the Student Centered Funding Formula Oversight Committee, established by budget legislation for the purpose of reviewing the SCFF, is anticipated to make further recommendations. Until all major outstanding questions have been resolved, the Chancellor's Office and FCMAT have agreed to pause the development of the SCFF Calculator and remove the tool from the FCMAT website. Further dialogue with the field will continue around tools that can support districts in estimating the SCFF under various scenarios.

EDUCATION PROTECTION ACCOUNT

The EPA has been recalculated to include the most current general apportionment calculations and will be available on the Fiscal Services Unit Apportionment Reports website in late March.

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 number
Adult Education	Neil Kelly	nkelly@cccoco.edu	(916) 324-8895
Apprenticeship	Nick Esquivel	nesquivel@cccoco.edu	(916) 445-4670
Apprenticeship Instruction and Training	Nick Esquivel	nesquivel@cccoco.edu	(916) 445-4670
California College Promise	Ruby Nieto	rnieto@cccoco.edu	(916) 322-4300
CalWORKs	Karen Baker	kbaker@cccoco.edu	(916) 445-8504
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Certified Nurse Assistant Program	Brenda Fong	bfong@cccoco.edu	(916) 323-2758
Chancellor's Office Tax Offset Program (COTOP)	Terence Gardner	tgardner@cccoco.edu	(916) 322-7412
Cooperative Agencies Resources for Education (CARE)	Jillian Luis	jluis@cccoco.edu	(916) 322-5246
Disabled Student Programs and Services (DSPS)	Linda Vann	lvann@cccoco.edu	(916) 322-3234
Digital Course Materials	Leslie LeBlanc	lleblance@cccoco.edu	(916) 323-2768
Equal Employment Opportunity	Legal Main Line	legalaaffairs@cccoco.edu	(916) 445-4826
Expanding the Delivery of Courses through Technology	Gary Bird	gbird@cccoco.edu	(916) 327-5904
Extended Opportunity Programs and Services (EOPS)	Jillian Luis	jluis@cccoco.edu	(916) 322-5246
Foster and Kinship Care Education (FKCE)	Jillian Luis	jluis@cccoco.edu	(916) 322-5246
Full-Time Faculty Hiring	Wrenna Finche	wfinche@cccoco.edu	(916) 445-8026
Full-Time Student Success Grant	Ruby Nieto	rnieto@cccoco.edu	(916) 322-4300
Guided Pathways	Michael Quiaoit	mquiaoit@cccoco.edu	(916) 327-0749
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Mental Health Services	Nicole Alexander	nalexander@cccoco.edu	(916) 322-7924
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Nursing Program Support	Brenda Fong	bfong@cccoco.edu	(916) 323-2758
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Student Financial Aid Program	Ruby Nieto	rnieto@cccoco.edu	(916) 322-4300
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Temporary Assistance Needy Families (TANF)	Karen Baker	kbaker@cccoco.edu	(916) 445-8504
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**California Community Colleges
2019-20 First Principal Apportionment
Southwestern CCD
Exhibit C - Page 1**

Total Computational Revenue and Revenue Sources

Total Computational Revenue (TCR)

I. Base Allocation (FTES + Basic Allocation)	\$	66,874,390
II. Supplemental Allocation		21,271,579
III. Student Success Allocation		8,351,579
		96,497,548
		Student Centered Funding Formula (SCFF) Calculated Revenue
		\$ 1,726,056
		2019-20 Hold Harmless Protection Adjustment
		2019-20 TCR
		\$ 98,223,604

Revenue Sources

Property Tax	\$	29,449,403
Less Property Tax Excess		-
Student Enrollment Fees		6,783,135
Education Protection Account (EPA)		14,685,083
<u>State General Fund Apportionment</u>		43,681,785
Main General Fund Apportionment	\$ 42,831,653	
Full-Time Faculty Hiring (FTFH) Apportionment (2015-16 Funds Only)	850,132	
Adjustment	-	
	Subtotal \$ 43,681,785	
		Revenue Adjustment -
		Available Revenue
		\$ 94,599,406
		2019-20 TCR
		98,223,604
Revenue Deficit Percentage	3.6897%	
		Revenue Deficit \$ (3,624,198)

Supporting Sections

Section Ia: FTES Data and Calculations

	2017-18	2018-19	2018-19	Restoration	Decline	Adjustment	2019-20	Credit 3 Year Average
			Paid				Applied #1	
Credit	12,778.47	14,199.03	14,199.03	488.99	-	-	14,688.02	13,888.51
Incarcerated Credit	72.45	62.87	62.87	(31.89)	-	-	30.98	
Special Admit Credit	232.12	201.63	201.63	(12.13)	-	-	189.50	
CDCP	38.40	44.87	44.87	5.95	-	-	50.82	
Noncredit	196.28	185.89	185.89	(136.62)	-	-	49.27	
Total	13,317.72	14,694.29	14,694.29	314.30	-	-	15,008.59	13,888.51

	2019-20	Growth	2019-20	Rate \$	Revenue	2019-20	2019-20
	Applied #2		Paid		\$	FTES Reported	FTES Unapplied
Credit	13,888.51	-	13,888.51	\$ 4,013.61	\$ 55,743,084	14,688.02	-
Incarcerated Credit	30.98	-	30.98	5,621.94	174,168	30.98	-
Special Admit Credit	189.50	-	189.50	5,621.94	1,065,358	189.50	-
CDCP	50.82	-	50.82	5,621.94	285,707	50.82	-
Noncredit	49.27	-	49.27	3,380.63	166,564	49.27	-
Total	14,209.08	-	14,209.08	\$	57,434,881	15,008.59	-

Section Ib: FTES Restoration Authority

	2016-17	2017-18	2018-19	Total Target
				\$
Credit	-	1,688.19	-	\$ 6,775,739
Incarcerated Credit	-	(106.57)	-	(599,130)
Special Admit Credit	-	(279.01)	-	(1,568,578)
CDCP	-	(5.90)	-	(33,169)
Noncredit	-	26.42	-	89,316
Total	-	1,323.13	-	\$ 4,664,178

Section Ic: FTES Growth Allocation

	FTES	2019-20 Growth FTES	0.19%
	Credit	14,199.03	26.36
Incarcerated Credit	62.87	0.12	
Special Admit Credit	201.63	0.37	
CDCP	44.87	0.08	
Noncredit	185.89	0.35	
Total	14,694.29	27.28	
Total \$ Equivalent	\$	110,193	

**California Community Colleges
2019-20 First Principal Apportionment
Southwestern CCD
Exhibit C - Page 2**

Section Id: Basic Allocation

District Type/FTES	Funding Rate	Number of Colleges	Basic Allocation	FTES	Funding Rate	Number of Centers	Basic Allocation	
<u>Single College Districts</u>				<u>State Approved Centers</u>				
≥ 20,000	\$ 6,742,506.62	-	\$ -	≥ 1,000	\$ 1,348,501.11	3	\$ 4,045,503	
≥ 10,000 & < 20,000	5,394,005.51	1	5,394,006	<u>Grandparented Centers</u>				
< 10,000	4,045,502.28	-	-	≥ 1,000	1,348,501.11	-	-	
<u>Multi-College Districts</u>				≥ 750 & < 1,000	1,011,375.57	-	-	
≥ 20,000	5,394,005.51	-	-	≥ 500 & < 750	674,250.03	-	-	
≥ 10,000 & < 20,000	4,719,754.42	-	-	≥ 250 & < 500	337,125.54	-	-	
< 10,000	4,045,502.28	-	-	≥ 100 & < 250	168,563.83	-	-	
							Subtotal	\$ 4,045,503
<u>Additional Rural \$</u>							Total Basic Allocation	\$ 9,439,509
							Total FTES Allocation	57,434,881
Subtotal							Total Base Allocation	\$ 66,874,390

Section II: Supplemental Allocation

	2018-19 Headcount	Points	Rate	Revenue
AB540 Students	779	1	\$949.07	\$ 739,328
Pell Grant Recipients	6,795	1	949.07	6,448,953
Promise Grant Recipients	14,839	1	949.07	14,083,298
Total	22,413		Total Supplemental Allocation	\$ 21,271,579

Section III: Student Success Allocation

	2016-17 Headcount	2017-18 Headcount	2018-19 Headcount	Three Year Average	Points	Rate	Revenue
All Students							
Associate Degrees for Transfer	584.00	678.00	782.00	681.33	4	\$2,236.36	\$ 1,523,706
Associate Degrees	723.00	749.00	694.00	722.00	3	1,677.27	1,210,988
Baccalaureate Degrees	-	-	-	-	3	1,677.27	-
Credit Certificates	186.00	159.00	187.00	177.33	2	1,118.18	198,290
Transfer Level Math and English	244.00	320.00	444.00	336.00	2	1,118.18	375,708
Transfer to a Four Year University	722.00	669.00	750.00	713.67	1.5	838.63	598,505
Nine or More CTE Units	2,031.00	2,091.00	2,261.00	2,127.67	1	559.09	1,189,556
Regional Living Wage	1,618.00	1,619.00	1,678.00	1,638.33	1	559.09	915,975
All Students Subtotal	6,108.00	6,285.00	6,796.00	6,396.33			\$ 6,012,728
Pell Grant Recipients							
Associate Degrees for Transfer	364.00	404.00	450.00	406.00	6	\$845.55	\$ 343,292
Associate Degrees	443.00	447.00	420.00	436.67	4.5	634.16	276,916
Baccalaureate Degrees	-	-	-	-	4.5	634.16	-
Credit Certificates	117.00	92.00	94.00	101.00	3	422.77	42,700
Transfer Level Math and English	100.00	135.00	211.00	148.67	3	422.77	62,852
Transfer	389.00	386.00	411.00	395.33	2.25	317.08	125,352
Nine or More CTE Units	1,113.00	1,159.00	1,295.00	1,189.00	1.5	211.39	251,339
Regional Living Wage	440.00	517.00	539.00	498.67	1.5	211.39	105,411
Pell Grant Recipients Subtotal	2,966.00	3,140.00	3,420.00	3,175.33			\$ 1,207,862
Promise Grant Recipients							
Associate Degrees for Transfer	476.00	537.00	605.00	539.33	4	\$563.70	\$ 304,021
Associate Degrees	610.00	611.00	556.00	592.33	3	422.77	250,423
Baccalaureate Degrees	-	-	-	-	3	422.77	-
Credit Certificates	157.00	131.00	151.00	146.33	2	281.85	41,244
Transfer Level Math and English	143.00	186.00	283.00	204.00	2	281.85	57,497
Transfer	548.00	515.00	566.00	543.00	1.5	211.39	114,783
Nine or More CTE Units	1,599.00	1,666.00	1,750.00	1,671.67	1	140.92	235,578
Regional Living Wage	854.00	904.00	955.00	904.33	1	140.92	127,443
Promise Grant Recipients Subtotal	4,387.00	4,550.00	4,866.00	4,601.00			\$ 1,130,989
Total Student Success Allocation							\$ 8,351,579