



FISCAL SERVICES UPDATE FY 2020-21 STATE BUDGET

Jose Torres, Interim Chancellor

July 2020

On June 30 Governor Newsom signed the FY 2020-21 State Budget Act. Although the State continues to wrestle with a projected budget shortfall of \$54.3 billion as a result of COVID-19, the budget basically preserves funding for most California Community Colleges (CCC) programs at the 2019-20 levels; however, to avoid cuts, the State will instead utilize apportionment deferrals.

The July 2, 2020, *Joint Analysis*¹ warns that these deferrals “can cause cash flow problems for districts, requiring them to deplete reserves and use internal and external short-term borrowing to meet ongoing obligations. Moreover, deferrals can permit the state to authorize—and districts to maintain—programmatic levels they can afford only by creating ongoing out-year obligations. These obligations can make future program reductions more likely and more profound.”

The State budget contains \$1.5 billion in deferrals to the CCC, which could decrease by \$791 million if federal aid manifests prior to October 15. It is important to note that the \$1.5 billion translates to approximately \$20 million in deferrals for SBCCD, or about five months with \$4 million less than usual. In addition, it is very likely that these deferrals will take three to four years to be repaid.

We have entered into uncharted territory in an exceedingly challenging environment that could get worse before it gets better. Moving forward, we must continue working together to make the necessary and difficult decisions that best benefit our district as a whole.

Some changes from the May Revise are shown in red below. The State is anticipating an update sometime later this month on actual 2019-20 revenues and the implications of these revenues. We will do our best to keep you up to date. In the meantime, feel free to reach out to your Fiscal Services team with any questions or concerns by emailing kgoodric@sbccd.edu.

Unrestricted General Fund

- 1) ~~Decrease to~~ Student-Centered Funding Formula ~~of \$592 million (10%) funded at 2019-20 level~~
- 2) No COLA
- 3) No enrollment growth
- 4) Deferrals in FY 19-20 (May and June 2020)
- 5) Deferrals in FY 20-21 (**February, March**, April, May, and June 2021)
- 6) No workload reduction
- 7) Other decreases to part-time faculty compensation, part-time faculty office hours, and deferred maintenance
- 8) Reduction to employer pension contributions by 2% for FY 2020-21 and FY 2021-22

¹California Community Colleges Chancellor's Office, Association of California Community College Administrators, Association of Chief Business Officials, and Community College League of California, 2020. *Joint Analysis - Enacted 2020-21 Budget*. [online]. Available at: <<https://www.cccco.edu/-/media/CCCO-Website/College-Finance-and-Facilities/Budget-News/joint-analysis-enacted-budget-final-07-02-20-11y.pdf?la=en&hash=E932E49C5E6EAE5C6881572DA087CF776D9F0804>> [Accessed 7 July 2020].



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Categorical

- 1) Flexibility to permit the use of certain restricted fund balances
- 2) **No decrease to Strong Workforce ~~(60%)~~**
- 3) **No decrease to Student Equity and Achievement Program ~~(18%)~~**
- 4) **Decrease to California College Promise ~~(6%)~~ (4%)**
- 5) **No decreases to online education initiative ~~(87%)~~**
- 6) **No decrease to adult education program ~~(40%)~~**
- 7) **\$120 million COVID-19 Response Block Grant (One-Time)**

Other

- 1) Extension of the hold harmless provision by two years
- 2) Extension on financial reporting deadlines for FY 2020-21 budgets
- 3) Temporary deferral of FON penalties until further notice
- 4) Exemption of COVID-19 related expenditures from the 50% Law
- 5) Funding for Crafton's Performing Arts Center **~~(unknown)~~ planning and working drawings**
- 6) Decrease in support for Calbright by **~~\$3~~ \$5** million

SBCCD's Plan Moving Forward

Our plan moving forward is the same as previously presented with an additional cash management strategy to mitigate future deferrals.

- 1) Continue using three budget scenarios (best, middle, worst)
- 2) Continue exploring revenue ideas
- 3) Continue reductions to budgets as necessary
- 4) Implement operational efficiencies
- 5) Continue the hiring freeze (except positions necessary to continue operations)
- 6) Continue monitoring the State budget process, work with our policymakers, and advocate for much-needed resources to educate and help our community recover as follows:
 - a. Additional funding for CCDs if federal funding becomes available
 - b. Shift the \$120 million from Calbright to online education initiative and apportionments
 - c. Continue to support the employer's pension contribution reductions
 - d. Continue to support flexibility in the use of certain restricted fund balances
 - e. Continue support of the 50% Law and FON exemptions/deferrals
 - f. Continue to protect core funding by decreasing categorical funds instead of apportionments
 - g. Continue to support the extension of the hold harmless clause if these districts also experience reductions equal to successful districts
 - h. Continue to support a pause in any additional changes to the funding formula
 - i. Request workload reduction if SCFF reductions occur during the 2020-21 fiscal year in response to a deteriorating State revenue position