

# 2020-21 Budget Planning Update

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# Projection for 2020-21 Stability Fund

Current Budget Status - as of 3/31/20

Balances Ending 2019-20

- ▶ Ending Balances
  - ▶ Retroactive classification study costs of \$3.5 to \$4.5 million have not been included in the 2019-20 net change to ending fund balance; this may result in a further reduction to the \$15.2 million Stability Fund balance
  - ▶ Colleges/Central Services Carry Forward
  - ▶ Other: Supplementary Retirement Plan (SRP), Encumbrances
  - ▶ 5% Reserve

<b>Projected Revenue vs. Projected Expenses</b>	
<b>Beginning Balance, July 1, 2019</b>	<b>\$ 33,405,207</b>
Revenue	\$ 197,808,791
Expenses and Transfers Out	(194,357,018)
<b>Net Change in Fund Balance (Projected)</b>	<b>\$ 3,451,773</b>
<b>Projected Net Fund Balance, June 30, 2020</b>	<b>\$ 36,856,981</b>

<b>Projected Fund Balance Allocation</b>	<b>\$ 36,856,981</b>
Less: "B" Budget Carryforwards (Designated)	
Foothill "B"	\$ (4,800,000)
De Anza "B"	(1,800,000)
Central Services "B"	(1,400,000)
	<b>\$ (8,000,000)</b>
Less: Districtwide "A" Carryforwards (Restricted)	\$ (191,000)
Less: Encumbrance Carryforwards (Designated)	\$ (1,700,000)
Less: Supplemental Retirement Plan (Designated)	\$ (2,025,000)
Less: Adopted Budget Reserves @ 5% (Restricted)	\$ (9,717,851)
<b>Projected 2020-21 Stability Fund</b>	<b>\$ 15,223,130</b>

# Current Revenue Situation (subject to change)

- ▶ State budget currently keeps revenue at the FY19/20 levels
  - ▶ Still subject to potential “August” revision
  - ▶ Effect of deferrals on cash flow
  - ▶ Economic outlook in future years - deferrals and federal aid are unlikely to be an option moving forward
- ▶ What does Hold Harmless status mean?
  - ▶ Current statute states based on greater of (FY17/18 rates X Current FTES) or SCFF
  - ▶ For FY20/21, FY19/20 will be used for base
  - ▶ Each year hold harmless funding has to be approved as part of the budget
- ▶ Non-resident revenue
  - ▶ Recent reversal of on-site education requirement by ICE
  - ▶ Won't have clear idea of enrollment or revenue until the end of August
- ▶ To sum up...we still don't know!

# Variability due to Revenue Uncertainty

	Revenue Effect	Notes
If Hold Harmless is paid at FY17/18 rates and current FTES	(13,000,000)	Basic Aid would limit loss to (\$11,00,000)
Use of FY19/20 Apportionment Totals	0	
Basic Aid Status	(11,00,000)	May be less depending on growth of assessed value
Non-resident revenue	???	\$26 million was budgeted in FY19/20

► What will future years hold??

# Two Possible Surplus/(Deficit) Scenarios

	<u>Tentative Budget Amount (Basic Aid)</u>	<u>Estimate with Apportionment Based on FY19/20 Funding Levels</u>
Estimated Budget Surplus/(Deficit)	(7,000,000)	4,000,000
Estimated Reclassification Study Cost	<u>(4,500,000)</u>	<u>(4,500,000)</u>
	<u><b>(11,500,000)</b></u>	<u>500,000</u>
Additional Non-Resident Effect	<u>?</u>	<u>?</u>

# 2020-21 and Beyond...

- ▶ Unless the economy has a rapid recovery, the 2021-22 budget may look very similar to the Governor's May Revise for 2020-21
  - ▶ Reversal of “loosened” restrictions and the impact on local businesses
  - ▶ Future “payment” for federal and state aid being offered now
  - ▶ Will property taxes be affected by changes in economy?
    - ▶ Generally lags one year
- ▶ Continued uncertainty with non-resident enrollment
- ▶ Calculation of hold harmless total
  - ▶ Hold harmless is in effect through 2023-24
  - ▶ Base calculation may revert back to original statute
  - ▶ What will be used as the base?
- ▶ Hold harmless will end at some point
  - ▶ “SCFF Cliff”

# Historical Budget Reduction Approach

Assigning costs based on percent of expenses at each campus and Central Services

- ▶ Last time with the \$17.6 million reduction target, the split was:
  - ▶ 50% – De Anza
  - ▶ 35% – Foothill
  - ▶ 15% – Central Services
  
- ▶ Under a potential \$11.5 million reduction, these equivalent targets would be:
  - ▶ \$5.750 million De Anza
  - ▶ \$4.025 million Foothill
  - ▶ \$1.725 million Central Services

# Navigating 2020-2021

Timeline: Working Backwards...

- ▶ November 1, 2020: Campus/CS recommended cuts/changes to Chancellor
- ▶ November 1-30, 2020: HR impact/seniority analysis
- ▶ December 15, 2020: Chancellor/Cabinet finalize recommended changes
- ▶ January 11-31, 2021: Informal notice to affected employees, Unions
- ▶ January 30, 2021: Written notice to Faculty Association
- ▶ March 15, 2021: Faculty/Administrator Notice of Nonrenewal
- ▶ April 15, 2021: Classified Notice of Layoff
- ▶ **June 30, 2021: Layoff/non-renewal**



**QUESTIONS?**

