

# 2020-21 State Budget Update

September 9, 2020

Susan Cheu, Vice Chancellor, Business Services

# 2020-21 Budget Agreement

- ▶ June 22, 2020 the Governor and Legislature reached an agreement
- ▶ It was significantly different from the proposed May Revise, particularly in the reversal of cuts to the community college system
- ▶ It was built on the assumption of federal aid package being passed; in particular, additional deferrals will be enacted if this package is not passed or is passed at a lower level
  - ▶ As of this date, the federal aid package has not been passed

# What Does this Mean to Community Colleges?

- ▶ For the community college system, cuts are not being applied to apportionment and categorical revenue
  - ▶ Essentially revenue is being kept at the 2019-20 levels
  - ▶ No COLA or growth is funded
  - ▶ An additional 2-year extension for Hold Harmless was added extending the hold harmless through 2023-24

# Deferrals

- ▶ Potential of additional \$1.45 billion in deferrals
  - ▶ This moves cash payments, not funding, from one period to another
  - ▶ \$332 million was already deferred in 2019-20 from May and June 2020 to 2020-21
  - ▶ 2020-21 Deferral of \$662.1 million from 2020-21 to 2021-22
  - ▶ There will be an additional 2020-21 deferral of \$791.1 million from 2020-21 to 2021-22 if state does not receive federal aid funding.
  - ▶ Chancellor's Office is accelerating payment of other categorical funding to help Districts with cash flow
  - ▶ Based on preliminary research, unless conditions change, with planning FHDA should be able to weather the cash flow situation for 2020-21.

# Other State Budget Provisions

- ▶ \$120 million to support basic needs and learning losses due to COVID-19
- ▶ \$10 million for immigrant legal services
- ▶ \$5.8 million for Dreamer Resource Liaison Program
- ▶ Food pantry expenses within Student Equity and Achievement (SEA) Program
- ▶ The proposal to create a System of Support programs is not being enacted this year
- ▶ Funding for the CalBright College is reduced by \$5 million ongoing and \$40 million in one-time
- ▶ Prohibits termination of permanent or probationary classified employees positions in nutrition, transportation or custodial services

# Revenue Effect to FHDA

- ▶ There is no COLA, but also no significant reduction in state revenue
- ▶ Based on 2019-20 State Apportionment, 2020-21 revenue would be projected at \$156,874,658
  - ▶ There is a deficit factor of 0.85% predicted due to a shortfall in property tax at the state level
  - ▶ If the shortfall persists, the deficit factor would reduce FHDA's revenue by **(\$1,333,435)**, resulting in an apportionment total of \$155,541,223
  - ▶ **Remember, Non-Resident is separate from apportionment!**
- ▶ What happens in FY 2021-22??

# Adopted Budget

- ▶ The District Financial Team is continuing to work on closing out 2019-20
  - ▶ Updated Stability Fund Balance
  - ▶ Effect of shelter-in-place on expenses
- ▶ What will happen to Non-Resident? Currently, a 30% reduction has been built into the number
  - ▶ Ongoing changes at the Federal level
  - ▶ Difficult to determine effect until start of Fall Quarter - even then, uncertainty for Winter and Spring
- ▶ At this time, budget assumptions for Adopted include no significant changes to ongoing expenses
- ▶ Due date for Adopted Budget has been changed to 11/30/20
  - ▶ FHDA plans to present its Adopted Budget for Board Approval on 10/5/20

# What does all this mean for FHDA?

	<u>Tentative Budget Amount (May Revise)</u>	<u>Preliminary Adopted Budget*</u>
Estimated Budget Surplus/(Deficit)	(7,000,000)	(7,000,000)
<i>Projected</i> revenue increase		6,400,000
<i>Estimated</i> Reclassification Cost from Study of \$3.5 to 4.5 million	(4,500,000)	
Additional Expense		(3,400,000)
	<hr/> (11,500,000)	<hr/> (4,000,000)
Additional Non-Resident Effect	<hr/> ?	<hr/> ?

\* Analysis for the Adopted Budget is not complete – these numbers are preliminary



# Budget Reduction Estimate for FY 2021-22

Tentative Budget Estimate	(7,000,000)
<b><i>Estimated</i></b> Reclassification Cost	<u>(4,500,000)</u>
Original Budget Reduction Target	(11,500,000)
Adjustment to <b><i>estimated</i></b> reclassification cost	1,500,000
<b><i>Anticipated</i></b> Net Revenue and expense adjustments	3,000,000
Reserve for property tax <b><i>uncertainty</i></b> and <b><i>estimate</i></b> of reclassification cost	<u>(2,000,000)</u>
	(9,000,000)

**Numbers are subject to change based on State and local budget information and completion of Adopted Budget**

**QUESTIONS?**

The background features a series of overlapping, semi-transparent triangles in various shades of blue and green. The triangles are arranged in a way that creates a sense of depth and movement, with some appearing to be in the foreground and others receding into the background. The overall effect is a modern, minimalist aesthetic.