

Santa Barbara City College

Budget Resource Allocation Committee (BRAC)

Agenda
July 10, 2020
ZOOM
9am-11am

MEMBERS

Budget Resource Allocation Committee: Present unless indicated not

- Lyndsay Maas, VP Business Services
- James Zavas, Controller
- Alan Price, Dean Educational Programs / ALA
- Paloma Arnold, EOPS Director / ALA
- Liz Auchincloss, Technology Services Specialist / CSEA
- Mike Gonella, Instructor and Chair Horticulture Dept
- Patricia Frank, Co-chair, Director Design and Technology Theatre Arts
- Beth Taylor Schott, Writing Center LTA / CSEA
- Student Representative **Not Present**
- Student Representative **Not Present**
- Cesar Perfecto, Assistant Controller (non voting)
- Lisa Saunders, Accountant (non voting)
- Alexandra Thierjung (non voting) **Not Present**
- **Guests: Joni Novak and Cornelia Alsheimer-Barthel**

AGENDA:

1. Review 20-21 Approved State Budget:
 - a. 2 pager from Chancellor's Office dated June 23, 2020
 - b. Detailed budget report from Chancellor's Office dated July 2, 2020
 - c. ACBO Zoom Presentation from July 8, 2020

Link to State Budget reports: Chancellor's Office Budget News webpage: [Chancellor's Office webpage](#)

2. Review SBCC's Tentative Budget 20-21

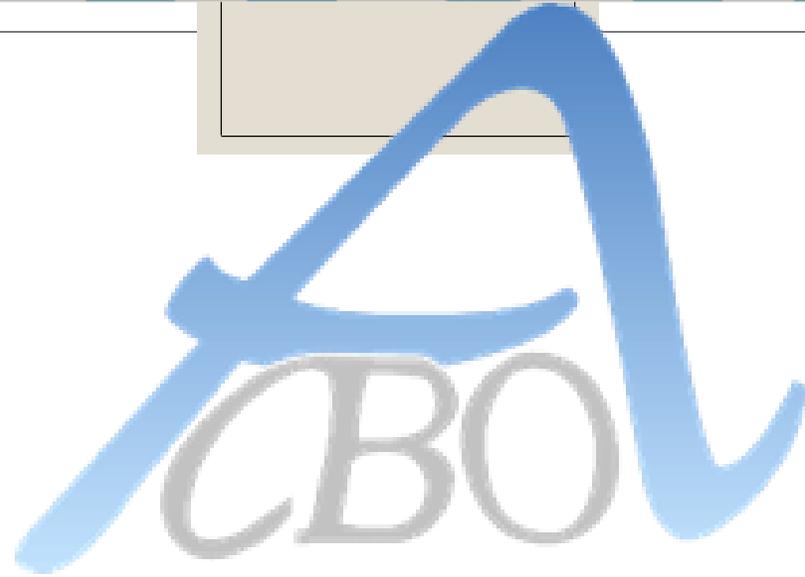
3. What's next with 20-21 Budget:
 - a. Refine budgets over summer
 - i. Restricted General Funds
 - ii. Construction & Equipment Funds
 - iii. Special Revenue Funds
 - b. Re-evaluate budget assumptions
 - i. Enrollment levels
 - ii. Interfund Transfers
 - iii. La Playa Turf Project

Santa Barbara City College

Budget Resource Allocation Committee (BRAC)

- iv. PE Building Replacement Project
 - c. Potential Exists for August State Budget Revise (additional adjustments to FY 2020-21 state budget)
 - d. Board approval Final 20-21 Budget in September 2020

- 4. Future Agenda Item:
 - a. Review Five-Year Capital Outlay Plan (board approved June 25, 2020)
 - b. Review CARES Act funding and newer Coronavirus funding spending plans



ZOOM Meeting
July 8, 2020

Agenda

- State Budget Update
- P-2 and Apportionments
- Roundtable Discussion

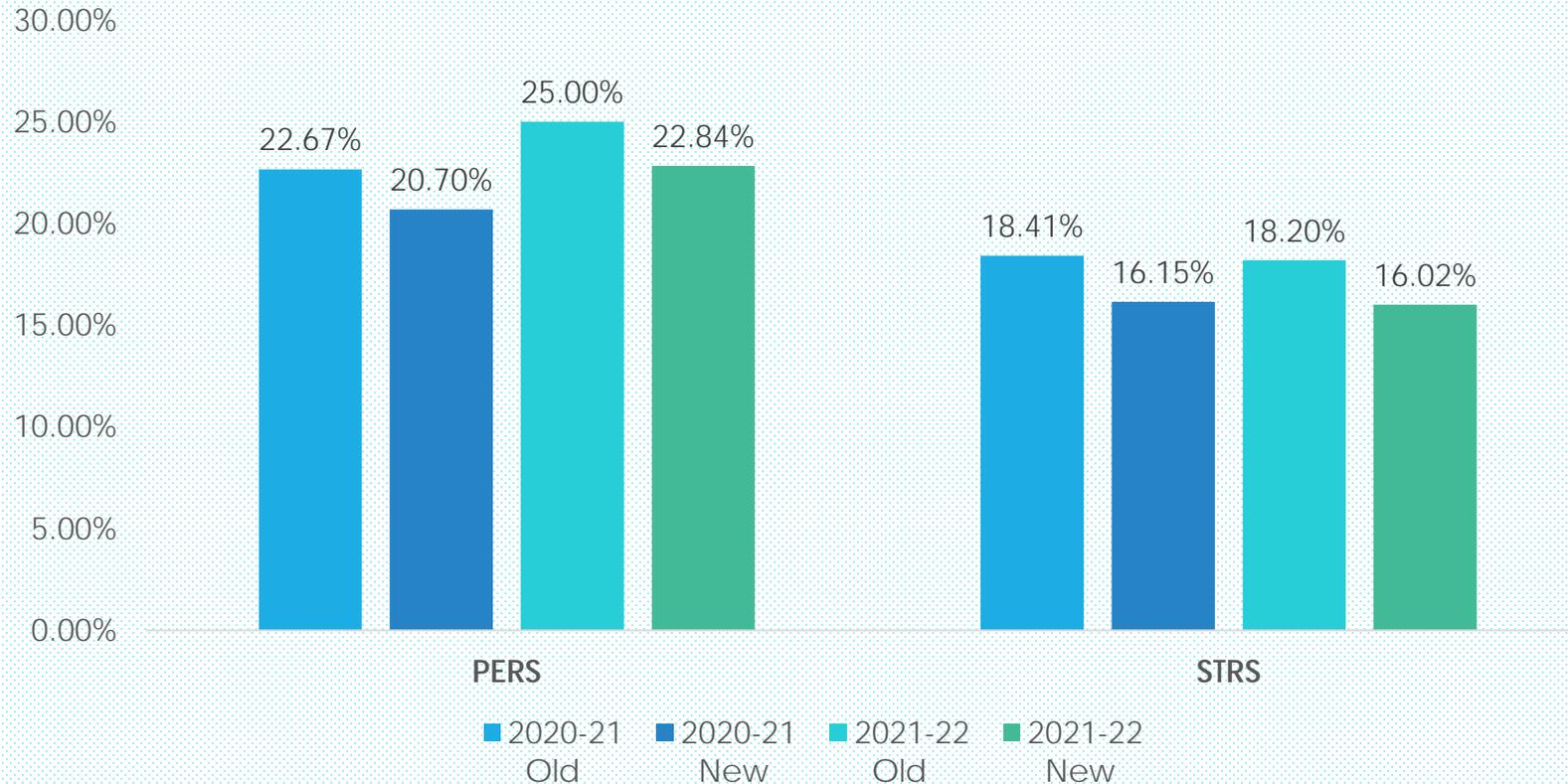
State Budget Highlights

- SCFF Changes:
 - No COLA
 - No Growth
 - Rates established for 2019-20:
 - Credit FTES = \$4,005
 - Supplemental = \$948
 - Success Metrics = \$559
 - Success Bump = \$141
 - Hold Harmless extended through 2023-24
 - Change in stability language:
 - Decrease applied in year following initial year of decline

State Budget Highlights

■ STRS and PERS:

- \$2.3 billion reallocated to buy down PERS and STRS employer rates



State Budget Highlights

- 50% Law changes:
 - Exclusion allowed for COVID-19 expenses
 - Repealed July 1, 2021
- Calbright lives:
 - Reduced by \$5 million ongoing and \$40 million one-time
- Cal Grant Program
 - \$11 million for California Dreamer Incentive Grant Program for community colleges
- Immigrant Legal Services
 - \$10 million ongoing
- Dreamer Resource Liaison
 - \$5.8 million ongoing

State Budget Highlights

■ Classified Staff:

*" From July 1, 2020, to June 30, 2021, inclusive, the governing board of a ... **community college district...** shall not implement layoffs or releases of any permanent or probationary classified employees of the... community college district... who hold classifications in, or are assigned to **positions in, nutrition, transportation, or custodial services.***

***Nothing** in this section shall be construed to **prohibit** a... community college district... from **terminating** a classified employee for **good cause.**"*

State Budget Highlights

- Categoricals remain at 2019-20 funded levels with language changes:
 - SEAP – requires portion to be used “to support or establish on-campus food pantries or regular food distributions”.
 - Strong Workforce – encouraged to create short-term workforce training programs focusing on:
 - Economic recovery and resulting in job placement
 - Reskilling and upskilling
 - Have at least one proven employer partner, demonstrate job vacancies and submit verification to CO
 - Use competency based approaches and apply credit for prior learning
 - Short term = 4-12 week program

State Budget Highlights

- Deferrals:

- \$1.453 Billion deferred from 2020-21 to 2021-22
 - \$791.1 Million tied to Federal funds



State Budget Highlights

- New Block Grant (Coronavirus Relief Fund) - \$120,230,000
 - \$53,975,000 must be spent by December 31, 2020
 - \$66,255,000 must be spent by June 30, 2022
 - Allocated on actual reported FTES
 - Uses:
 - Reengagement strategies for incompletes or fails in Spring 2020.
 - Grants to faculty to develop online, accelerated learning modules for incompletes and fail in Spring 2020 to make progress rather than forcing the student to retake the course.
 - Professional development opportunities for faculty and student services professionals.
 - Investments to close the digital divide.
 - Support to address other barriers.
 - Cleaning supplies and PPE.

State Budget Highlights

■ Capital Outlay Projects

25 New Start Projects					
Antelope Valley	Gym	870,000	Long Beach	PCC Const. Trades	1,268,000
Barstow	Hydronic Loop	741,000	Los Rios	Rancho Cordova Ed Ctr	389,000
Chabot-Las Positas	Chabot Bldg 3000	674,000	Napa Valley	Ind Tech	245,000
Coast	OCC Chemistry	1,400,000	North Orange	Cypress Fine Arts	1,512,000
Compton	PE Complex	1,548,000	Riverside	RCC Life Science	1,623,000
El Camino	Music Bldg	1,969,000	San Bernardino	Crafton Hills Perf Arts	600,000
Grossmont-Cuyamaca	Cuyamaca Inst Bldg	1,005,000	Sierra	Gym	2,409,000
Grossmont-Cuyamaca	Grossmont Liberal Arts	941,000	Siskiyou	Theatre Arts	2,041,000
LA	East LA Facilities	829,000	Sonoma	Gym	887,000
LA	LA Pierce Ind Tech	1,182,000	Sonoma	Public Safety Trng Ctr	398,000
LA	LA Trade-Tech	2,410,000	West Valley-Mission	Mission Perf Arts	1,024,000
LA	Valley Academic Bldg	1,637,000	Yuba	Yuba Fire Alarm	377,000
LA	West LA Plant Facilities	445,000			

15 Continuing Projects					
Butte-Glenn	Tech Remodel	7,049,000	Sequoias	Basic Skills Ctr	13,876,000
Lake Tahoe	RFE and Science	9,367,000	South Orange	IVC Fine Arts	20,838,000
Los Rios	Elk Grove Ctr	8,102,000	South Orange	SC Gateway	23,626,000
Merced	Ag Science	12,169,000	State Center	Clovis Applied Tech	24,089,000
San Mateo	Canada Bldg 13	8,589,000	State Center	Fresno CDC	12,261,000
San Mateo	San Mateo Water Supply	5,016,000	State Center	Reedley CDC	9,423,000
San Mateo	Skyline Workforce/ED	18,123,000	West Valley-Mission	West Valley LRC	17,815,000
Santa Clarita	Boykin Hall	4,332,000			

P-2 and Apportionment

Deficit at R1
< 1%

- P-2 issued on June 26, 2020
 - Statewide deficit = 7.362%, districts = 8.1%
 - This is not a “true” deficit, it is a result of EPA funds not being collected timely
 - \$484 million in EPA funds will be paid out in September/October
 - Represents 88% of the deficit
 - Remaining deficit approximates 0.972%
 - Budget bill provides \$52 M backfill for property taxes and \$17 M for enrollment fees shortfall which will reduce deficit even more
 - “Real” deficit at R1 will likely be between 0.5 – 1%



Roundtable Discussion

Joint Analysis

Enacted 2020-21 Budget

July 2, 2020



California Community Colleges



Background

This analysis of the enacted state budget for the 2020-21 fiscal year builds on a May 15, 2020 analysis of the Governor's May Revision budget proposal. In this update, we present details about the 2020-21 budget as it has now been enacted by the Governor and Legislature. The analysis primarily focuses on appropriations and policy changes included in Senate Bill 74, the 2020 Budget Act; Assembly Bill 89, Amendments to the 2020 Budget Act; and Assembly Bill 94, the higher education trailer bill. Some items of note are also included in Assembly Bill 76, a trailer bill related to apportionments; Assembly Bill 77, an education omnibus trailer bill; and Assembly Bill 84, a trailer bill related to supplemental pension payments.

This analysis was developed by the California Community Colleges Chancellor's Office (Chancellor's Office) with support from the:

- Association of California Community College Administrators (ACCCA)
- Association of Chief Business Officials (ACBO)
- Community College League of California (League)

Introduction

On June 30, 2020, Governor Newsom signed the 2020 Budget Act. In total, the 2020-21 budget reflects state expenditures of \$202 billion, including \$134 billion in General Fund expenditures. Below we describe major changes made in the overall state budget framework and Proposition 98 programs, including the California Community Colleges (CCC). We then review CCC budget adjustments in detail.

Budget Overview

The Budget Act includes components of the Governor's May Revision and a different plan adopted by the Legislature on June 15 and is markedly different from the budget initially proposed by the Governor in January.

While the 2020-21 budget prevents immediate cuts to CCC apportionments and categoricals, it defers \$1.5 billion in CCC funding to 2021-22. Of the \$1.5 billion deferral, up to \$791 million would be rescinded if Congress approves a fourth stimulus package with sufficient funding by October 15, 2020.

BUDGET SHAPED BY HEALTH CRISIS AND ASSOCIATED RECESSION

The public health emergency associated with the coronavirus disease 2019 (COVID-19) pandemic has resulted in enormous hardship for families, businesses, and governments at all levels. In addition to massive impacts on general health and health systems, the emergency has caused a seismic shift in the state's economic conditions. The enacted budget is reflective of this reality.

State Fiscal Impact of COVID-19 Pandemic

The budget outlook since the initial release of the Governor's Budget on January 10 has deteriorated precipitously due to the COVID-19 pandemic and the ensuing recession. In January, the administration projected a \$5.6 billion surplus for 2020-21 and \$21 billion in reserves, including \$18 billion in the state's Rainy Day Fund. Following three quarters of strong economic growth, the state's economy entered a deep and unexpected recession in the fourth quarter. The recession, combined with \$5.7 billion in new spending related to the state's COVID-19 response, transformed the projected surplus to a \$54.3 billion deficit. To address the deficit at a state government level, the approved budget omits most new spending that is unrelated to the COVID-19 pandemic, reduces funding for several ongoing programs including universities, delays payments to schools and community colleges, and reduces employee compensation through collective bargaining agreements and furloughs. It also raises new revenue from temporary changes to corporate taxes and uses budget reserves and federal relief funds to mitigate reductions. The result is a decline in overall state General Fund spending of approximately 9% compared to 2019-20.

COVID-19 Relief Funds

In response to the recession, Congress approved a \$2 trillion economic relief package, also known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act was signed into law by the President on March 27, 2020. CARES Act funding provides direct fiscal relief to taxpayers, state and local governments, and small businesses. In addition to these direct federal payments, districts will receive federal and state relief funds through the Budget Act, in the form of a \$120 million COVID-19 response block grant, described later in this analysis. Federal Coronavirus relief funding will be discussed further later in this document.

System Response to Crisis

In response to the recession, the System rapidly adapted its budget priorities to focus on the fundamental needs of students, faculty, staff, and college administrators. The purpose of the revised priorities is to support colleges through the health crisis while mitigating disruption to instruction, the system's focus on equity, and momentum toward the *Vision for Success*.

The extraordinary public health crisis necessitated clear direction on academic and procedural matters. Therefore, on March 16, 2020, the Board of Governors approved the addition of Section 52020 of Division 6 of Title 5 of the California Code of Regulations which grants the Chancellor of the California Community Colleges emergency powers for 180 days to suspend regulations that are barriers to the continuity of education in the wake of the current crisis.

As campuses remain largely closed and students and staff members continue to perform much of their work remotely, the Chancellor's Office has issued 24 Executive Orders that suspend sections of Title 5 with a focus on ensuring continuity of education, student access, and reduced bureaucratic barriers that hinder continuity of services during an

emergency. The Chancellor’s Office is also holding regular COVID-19 webinars and has developed a COVID-19 website where important updates are shared with the field.

Impacts on District Budgets

Throughout 2020-21, emergency conditions under Title 5, Section 58146 will continue to be in effect. This section provides funding allowances due to emergency conditions such as the COVID-19 pandemic. The intent behind this section is to prevent districts from losing apportionment as a result of emergency conditions. The Chancellor’s Office continues to assess the short-term and long-term financial impacts of COVID-19 and has been providing districts with updates as they become available.

CCC Funding

The Budget Act preserves funding for most CCC programs at 2019-20 levels. In addition, the budget provides a new \$120 million block grant to help districts cover costs related to the COVID-19 pandemic. To meet budget reduction targets while maintaining and expanding funding in these ways, the budget defers payments to community colleges from one fiscal year into the next for both 2019-20 and 2020-21.

PROPOSITION 98 ESTIMATES

Minimum Guarantee. Each year, the state calculates a “minimum guarantee” for school and community college funding based on a set of formulas established in Proposition 98 and related statutes. To determine which formulas to use for a given year, Proposition 98 lays out three main tests that depend upon several inputs including K-12 attendance, per capita personal income, and per capita General Fund revenue. Depending on the value of these inputs, one of the three tests becomes “operative” and determines the minimum guarantee for that year. The state very rarely provides funding above the estimated minimum guarantee for a budget year. As a result, the minimum guarantee determines the total amount of funding for schools and community colleges. Though these formulas determine total funding, they do not prescribe the distribution of funding.

Table 1 shows the budget’s estimates of the minimum guarantee for the prior, current, and budget years. For each year, the operative test is Test 1, which links the minimum guarantee to a share of state General Fund revenue (about 40%).

Table 1: Estimates of the Proposition 98 Minimum Guarantee (In Millions)

Minimum Guarantee	2018-19	2019-20	2020-21	Change from 2019-20	Percent Change
General Fund	\$54,746	\$52,656	\$45,066	-\$7,590	-14.4%
Local property tax	23,776	25,022	25,824	802	3.2%
Totals	\$78,522	\$77,678	\$70,890	-6,788	-8.7%

The minimum guarantee for 2020-21 is 8.7% lower than the minimum guarantee for 2019-20. This decline is largely due to a significant drop in state General Fund revenues projected for 2020-21.

CCC FUNDING LEVELS

Table 2 shows Proposition 98 funding for CCC for 2018-19, 2019-20, and 2020-21. The CCC share of Proposition 98 funding is at or above the traditional share of 10.93% in each of these years. Prior to calculating the CCC share, funding for the Adult Education, Adults in Correctional Facilities, and K-12 Strong Workforce programs, as well as any transfers to the Public School System Stabilization Account, are excluded from the total.

Table 2: CCC Proposition 98 Funding by Source (In Millions)

Source	2018-19	2019-20	2020-21	Change from 2019-20	Percent Change
General Fund	\$5,427	\$5,210	\$4,353	-\$858	-16.5%
Local property tax	3,094	3,192	3,305	113	3.5%
Totals	\$8,521	\$8,402	\$7,658	-745	-8.9%

Consistent with overall Proposition 98 estimates, CCC Proposition 98 funding declines about 9% in 2020-21. Not shown in the table is the decline in 2019-20 CCC Proposition 98 funding compared with the 2019 Budget Act. The revised 2019-20 amount is \$327 million (4%) lower than projected a year earlier.

CHANGES IN FUNDING

The Budget Act includes \$16 million in ongoing policy adjustments compared with revised 2019-20 expenditure levels. In addition, the budget contains a net reduction of \$1.1 billion in one-time adjustments for CCC. These changes are summarized in Table 3.

Table 3: 2020-21 Changes in CCC Proposition 98 Funding (In Millions)

2019-20 Revised Budget ^a	\$8,402.4
TECHNICAL ADJUSTMENTS	
Remove one-time spending / add back one-time reductions	\$314.9
Student Centered Funding Formula base adjustments	39.6
Other technical adjustments	-25.2
Subtotal Technical Adjustments	\$329.3
POLICY ADJUSTMENTS	
Ongoing	
Continue legal services support for immigrant students, faculty, and staff	\$10.0
Adjust Student Success Completion Grant funding for recipients	9.1
Fund Dreamer Resource Liaisons and related support services	5.8
Reduce California Online Community College (Calbright College) funding	-5.0
Adjust California College Promise for recipients	-3.8
Subtotal Ongoing Policy	\$16.1
One-Time	
Defer apportionment payments from 2020-21 to 2021-22 ^b	-\$1,453.2
Defer apportionment payments from 2019-20 to 2020-21	330.1

Provide COVID-19 Response Block Grant ^c	33.0
Subtotal One-Time Policy	-\$1,090.1
TOTAL CHANGES	-\$744.7
2020-21 Enacted Budget^{a,d}	\$7,657.7

^a Amounts exclude Adult Education Program and K-12 Strong Workforce Program funding.

^b This amount could be reduced by \$791 million if the state receives sufficient federal aid.

^c The budget also provides \$54 million in federal funds and \$33 million in 2019-20 state funds for this purpose, for a total of \$120 million for CCC COVID-19 response.

^d In addition to this total, the 2020-21 budget reappropriates \$40 million to supplement the 2020-21 Student Centered Funding Formula. The 2020-21 budget also reappropriates \$49 million to supplement the 2019-20 Student Centered Funding Formula.

Apportionments

Student Centered Funding Formula. The budget continues implementation of the Student Centered Funding Formula but provides no enrollment growth funding or cost-of-living adjustment (COLA) for apportionments. For reference only, the statutory COLA rate for 2020-21 is 2.31%. The budget extends the formula’s existing hold harmless (minimum revenue) provision by two years, through 2023-24. Under this provision, districts will earn at least their 2017-18 total computational revenue, adjusted by COLA each year, in years without base reductions. The budget also extends hold harmless provisions for the San Francisco and Compton Community College Districts by two years to 2025-26.

Final Student Centered Funding Formula Rates. The 2019 Budget Act tasked the Chancellor’s Office with determining the formula’s final 2019-20 funding rates based on total computational revenue of \$7.43 billion as determined by the Department of Finance. Table 4 reflects the final 2019-20 rates, as codified in trailer bill language. Beginning in 2020-21, these funding rates are to be adjusted by COLA and other base adjustments, and the distribution of funds across the three allocations (base, supplemental, and student success) is to be determined by changes in the underlying factors. Because no COLA is provided for 2020-21, the 2019-20 rates will remain in place.

Table 4: Final 2019-20 Student Centered Funding Formula Rates

Allocations	2018-19 Rates	2019-20 Final Rates	Change From 2018-19	Percent Change
Base Credit ^a	\$3,727	\$4,009	\$282	7.6%
Supplemental Point Value	919	948	29	3.2%
Student Success Main Point Value	440	559	119	27.0%
Student Success Equity Point Value	111	141	30	27.0%
Incarcerated Credit ^a	5,444	5,622	178	3.3%
Special Admit Credit ^a	5,444	5,622	178	3.3%
CDCP	5,444	5,622	178	3.3%
Noncredit	3,274	3,381	107	3.3%

^a Ten districts receive higher credit FTE rates, as specified in the trailer bill.

Payment Deferrals

Deferrals Avert Program Reductions . . . Despite a 9%, year-to-year reduction in CCC funding for 2020-21, the Budget Act does not reduce funding for most CCC programs. Instead, the budget defers apportionment payments to CCC into the next fiscal year, as detailed in Table 5. These deferrals provide immediate, one-time budgetary savings for the state, helping to balance the state budget.

Table 5: CCC Apportionment Deferrals in 2020 Budget^a

Fiscal Year / Month Earned	Fiscal Year / Month Paid	Time Deferred (In Months)	Amount Deferred
2019-20 May	2020-21 July	2	\$30.128
2019-20 June	2020-21 July	1	300.000
Repayment of 2019-20 Deferral	2020-21 July	-	-330.128
2020-21 July	-	-	-
2020-21 August	-	-	-
2020-21 September	-	-	-
2020-21 October	-	-	-
2020-21 November	-	-	-
2020-21 December	-	-	-
2020-21 January	-	-	-
2020-21 February	2021-22 November	9	253.243
2020-21 March	2021-22 October	7	300.000
2020-21 April	2021-22 September	5	300.000
2020-21 May	2021-22 August	3	300.000
2020-21 June	2021-22 July	1	300.000
Net Deferral	-	-	\$1,453.243

^a 2019-20 deferrals are detailed in Assembly Bill 76 of 2020 (Committee on Budget) and 2020-21 deferrals are detailed in Assembly Bill 94 of 2020 (Committee on Budget). 2020-21 deferrals could be reduced by up to \$791 million if the state receives sufficient federal funds.

Trailer bill language provides for a limited sum in financial hardship exemptions for community college districts that meet certain criteria and provides some flexibility to the Chancellor’s Office in administering the deferrals.

. . . But Deferrals Can Have Drawbacks. Specifically, deferred payments 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.

State Expects to Eventually Repay Deferrals. State leaders hope to receive federal aid to rescind a portion of the deferrals—\$791 million of the \$1.5 billion total. However, such

funding is not assured, and the state has limited options for addressing these funding shifts absent federal aid. To afford previous deferral repayments, the state typically has rolled deferrals forward. This year's budget deal, for example, includes repayment of the 2019-20 CCC deferral in 2020-21, and a new and much larger deferral of 2020-21 payments into 2021-22. Undoing these deferrals in a future budget would require "doubling up" on payments in a fiscal year, which state leaders historically have found difficult to achieve. Illustrating this difficulty, the 2019 Budget Act reversed a rolling state payroll deferral (which deferred the June state payroll into early July) that was first implemented a full decade earlier.

COVID-19 Response Block Grant

\$120 Million for Districts to Mitigate COVID-19 Effects. The budget includes one-time Proposition 98 funding of \$66.3 million (with about half allocated to 2019-20 and half to 2020-21) and \$53.4 million from the federal Coronavirus Relief Fund for a block grant to be allocated based on enrollment. Districts may use these funds for activities that directly support student learning and mitigate learning loss related to the COVID-19 pandemic. Allowable activities include re-engaging students who left college in spring 2020; developing online, accelerated learning modules to reduce the need for these students to repeat spring 2020 courses; funding professional development for faculty and student service professionals; and providing resources to close the digital divide. Funds can also be used to mitigate other barriers to learning related to the pandemic, such as addressing mental health needs and food and housing insecurity. Additionally, districts can use funds for cleaning supplies and personal protective equipment.

Requirements for Districts Receiving Funds. The budget specifies the Legislature's intent that districts use block grant funds to prioritize services for underrepresented students. Districts must expend the federal portion by December 30, 2020, but they have until June 30, 2022 to encumber or spend the state portion. As a condition of receiving block grant funds, districts must maintain all receipts and records of expenditures for at least three years, or longer if an audit is requested, and make these records available to the Chancellor's Office on request. The Chancellor's Office must report on federal fund expenditures by March 2021 and on state expenditures by December 2023. These reports are to include descriptions of how the funds were used for each of the allowable purposes, how districts prioritized services for underrepresented students, and how effective the efforts supported by the funds have been. Given these system-level reporting requirements, districts should prepare to provide comparable information at the district level.

Temporary Reduction in Pension Costs

The Budget Act incorporates the Governor's May Revision proposal to redirect funds previously designated for a long-term buydown of pension liabilities, and instead uses them to reduce local school employer pension contributions in 2020-21 and 2021-22 by about 2% in each year. Specifically, this action reduces CalPERS estimated employer contributions from 22.67% to 20.7% in 2020-21 and from 24.6% to 22.84% in 2021-22.

Similarly, this action reduces CalSTRS estimated employer contributions from 18.41% to 16.15% in 2020-21 and from 17.9% to 16.02% in 2021-22.

Other Actions

New Requirements—Student Equity and Achievement Program. Trailer bill language requires that community college districts, as a condition of receiving Student Equity and Achievement Program funds, support or establish on-campus food pantries or regular food distribution programs.

New Requirements—Classified Employees. Trailer bill language also expresses the Legislature’s intent that districts maintain all classified employees in the 2020-21 fiscal year and prohibits districts from laying off any permanent or probationary employee with a classification in nutrition, transportation, or custodial services during this period. The language does not prohibit a community college district from terminating a classified employee for good cause.

Short-Term Workforce Training Programs. Trailer bill language addressing the Strong Workforce Program encourages districts to expedite the development of short-term career technical education courses to address the impacts of the COVID-19 pandemic. It also expresses the Legislature’s intent that, where possible, districts use short-term noncredit programs to respond to employers’ workforce training needs and provide those who complete these programs the ability to transition to credit or noncredit courses and programs.

Fifty Percent Law. Budget trailer bill language exempts COVID-19-related expenditures from the Fifty Percent Law through June 30, 2021.

Student Aid. In addition to the CCC changes noted above, the budget includes financial aid changes affecting CCC students. Under the California Student Aid Commission, the budget redirects \$15 million from the Dreamer Incentive Grant program for one year (2020-21) to provide emergency financial aid for undocumented students at UC, CSU, and CCC. Of this amount, \$11 million is designated for CCC students. In addition, the budget fully funds the Cal Grant program and provides \$250,000 for a student loan working group to be convened by the commission.

Consolidation Proposal Deferred. The budget defers to a future date consideration of the Governor’s January Budget Proposal to create a unified CCC System Support Program. This program would have consolidated multiple, disparate funding streams for system support and accountability that are currently a part of various categorical program set asides and statewide programs.

LOCAL SUPPORT FUNDING BY PROGRAM

Table 6 shows proposed local assistance funding by program for the current and budget years. As the table shows, the budget includes no changes for most categorical programs, beyond the deferrals described above and technical and workload adjustments. The exceptions are a 25% ongoing reduction in funding for Calbright College; new, ongoing funding for immigrant legal services (previously supported with one-time funding) and Dreamer resource liaisons; and the addition of special funds to the Equal Employment

Opportunity Program. In addition to these 2020-21 changes, the budget redirects \$40 million from Calbright College from previous years to supplement the 2020-21 Student Centered Funding Formula.

Table 6: CCC Funding by Program^a (In Millions)

Program	2019-20 Revised	2020-21 Enacted	Change from 2019-20	Percent Change	Explanation of Change
Student Centered Funding Formula	\$7,430	\$7,435	\$5	0.1%	Minor technical adjustments
Deferrals--Student Centered Funding Formula	-330	-1,123	-793	240%	Shift payments to next fiscal year; 2020-21 amount reflects new deferral of \$1,453 less repayment of 2019-20 deferral
Student Equity and Achievement Program	475	475	0	-	
CCC Strong Workforce Program	248	248	0	-	
Student Success Completion Grant	150	159	9	6%	Adjust for revised estimates of recipients
Disabled Students Programs and Services (DSPS)	124	124	0	-	
COVID-19 Response Block Grant (one-time)	-	120	120	N/A	Includes \$66 million in Proposition 98 funds and \$54 million in federal funds
Extended Opportunity Programs and Services (EOPS)	116	116	0	-	
California College Promise (AB 19)	85	81	-4	-4%	Adjust for revised estimates of first-time, full-time students
Financial aid administration	76	76	-0.4	-1%	Adjust for revised estimates of fee waivers
Adult Education Program - CCC Districts ^b	62	62	0	-	
Full-time faculty hiring	50	50	0	-	
CalWORKs student services	47	47	0	-	
Apprenticeship (CCC districts)	44	44	0.0	-0.1%	Adjust for revised estimate of related supplemental instruction hours
Integrated technology	42	42	0	-	
Mandates Block Grant and reimbursements	34	33	-0.5	-1%	Revised enrollment estimates; funded at \$30.16 per 2019-20 P2 FTEs
Institutional effectiveness initiative	28	28	0	-	
Part-time faculty compensation	25	25	0	-	
Online education initiative	23	23	0	-	

Economic and Workforce Development	23	23	0	-	
NextUp (foster youth program)	20	20	0	-	
Cooperative Agencies Resources for Education (CARE)	17	17	0	-	
California Online Community College (Calbright College)	20	15	-5	-25%	Reduce program funding, ongoing
Lease revenue bond payments	16	13	-4	-22%	Adjust for actual obligations
Nursing grants	13	13	0	-	
Part-time faculty office hours	12	12	0	-	
Immigrant legal services through CDSS	0	10	10	N/A	Make funding ongoing
Veterans Resource Centers	10	10	0	-	
Student Housing Program	9	9	0	-	
Dreamer Resource Liaisons	0	6	6	N/A	Funding for new program
Foster Parent Education Program	6	6	0	-	
Equal Employment Opportunity Program	3	4	1	52%	Adds available EEO fund resources
Childcare tax bailout	4	4	0	-	
Other ^c	4	4	0	-	
Umoja	3	3	0	-	
Mathematics, Engineering, Science Achievement (MESA)	3	3	0	-	
Puente Project	2	2	0	-	
Middle College High School Program	2	2	0	-	
One-time program funding ^d	9	0	-9	-100%	Remove one-time funding
Deferred maint. and instructional equip. (one-time)	13	0	-13	-100%	Remove one-time funding
College-specific allocations	11	0	-11	-100%	Remove one-time funding
K-12 passthroughs (adult ed, K-12 apprenticeship, workforce)	680	680	-0.1	-0.01%	Remove one-time funding
Total	\$9,609	\$8,920	-\$689	-7.2%	

^a Table reflects total programmatic funding for CCC, including amounts from prior years available for use in the years displayed.

^b Amounts represent share ultimately received by CCC districts. For the overall adult education program in 2020-21 (excluding \$5 million to develop a unified data set), \$422 million (77%) is distributed through school district fiscal agents or funded directly to school districts and K-12 agencies, and \$121 million (23%) is distributed by community college district fiscal agents or funded directly to community college districts.

^c Other programs include Academic Senate, transfer, FCMAT, and part-time faculty health insurance.

^d 2019-20 includes one-time allocations for hunger-free campus, mental health services and training, re-entry grant program, and open educational resources.

CAPITAL OUTLAY

Bond Funding for Continuing and New Projects. The Budget Act includes \$223.1 million in capital outlay funding from Proposition 51, approved by voters in 2016. The funding is to support the construction phase for 15 continuing projects (\$194.7 million) and the preliminary plans and working drawings phases for 25 new projects (\$28.4 million), as listed in Table 7.

Table 7: CCC Capital Outlay Funding (In Millions)

District: College/Location	Project	Phase	2020-21 State Cost	2020-21 Total Cost	All Years State Cost	All Years Total Cost
BGCCD: Butte	Technology Remodel	C	\$7.049	\$9.097	\$7.567	\$10.131
LRCCD: Elk Grove Center	Elk Grove Center Phase 2	C	8.102	15.145	8.512	16.509
LTCCD: Lake Tahoe	RFE and Science Modernization Phase 1	C	9.367	19.536	10.814	21.592
MCCD: Merced	Ag Science and Industrial Technologies Complex	C	12.169	22.741	12.6	24.894
SCCCD: Clovis	Applied Technology Building, Phase 1	C	24.089	46.965	25.883	50.552
SCCCD: Fresno City College	New Child Development Center	C	12.261	15.217	13.297	16.512
SCCCD: Reedley	New Child Development Center	C	9.423	11.693	10.241	12.716
SCCCD: College of the Canyons	Modernize Academic Building-Boykin Hall	C	4.332	8.425	4.729	9.218
SCCD: College of the Sequoias	Basic Skills Center	C	13.876	15.548	15.241	16.913
SMCCCD: Cañada	Bldg. 13-Multiple Prog. Instructional Center	C	8.589	23.91	9.404	26.199
SMCCCD: College of San Mateo	Water Supply Tank Replacement	C	5.016	5.574	5.521	6.135
SMCCCD: Skyline	Workforce and Economic Devt. Prosperity Center	C	18.123	34.618	19.32	38.164
SOCCCD: Irvine Valley	Fine Arts Building	C	20.838	47.339	22.462	51.076
SOCCCD: Saddleback	Gateway Building	C	23.626	54.532	25.345	58.403
WVMCCD: West Valley	Learning Resource Center Renovation	C	17.815	35.423	19.438	38.669
AVCCD: Antelope Valley	Gymnasium Renovation	PW	0.87	1.739	12.56	20.631
BCCD: Barstow	Hydronic Loop and Water Infrastructure	PW	0.741	0.741	9.92	9.92

CCCD: Compton	Physical Education Complex Replacement	PW	1.548	3.365	23.326	46.037
CCCD: Orange Coast	Chemistry Building Project	PW	1.4	2.8	20.556	40.547
CLPCCD: Chabot	Bldg. 3000 Maint. Ops. Warehouse & Garage	PW	0.674	1.348	8.846	17.529
ECCCD: El Camino	Music Building Replacement	PW	1.969	3.938	27.175	54.696
GCCCD: Cuyamaca	Instructional Building Phase 1	PW	1.005	2.009	14.513	28.555
GCCCD: Grossmont	Liberal Arts/ Bus./ Computer Sci. Info. Sys	PW	0.941	1.882	11.257	22.049
LACCD: East Los Angeles	Facilities Maintenance & Operations Replacement	PW	0.829	1.657	12.17	23.336
LACCD: Los Angeles Pierce	Industrial Technology Replacement	PW	1.182	2.363	16.737	33.09
LACCD: Los Angeles Trade-Tech	Design and Media Arts	PW	2.41	4.819	35.317	69.741
LACCD: Los Angeles Valley	Academic Building 2	PW	1.637	3.274	23.852	47.131
LACCD: West Los Angeles	Plant Facilities/Shops Replacement	PW	0.445	0.889	5.788	11.505
LBCCD: Pacific Coast	Construction Trades II	PW	1.268	1.585	16.054	20.16
LRCCD: Rancho Cordova Educ. Ctr.	Rancho Cordova Phase 2	PW	0.389	1.296	8.979	17.384
NOCCCD: Cypress	Fine Arts Renovation	PW	1.512	2.52	18.133	29.801
NVCCD: Napa Valley	Modernize Industrial Tech. Building 3100	PW	0.245	0.489	3.024	5.916
RCCD: Riverside City College	Life Science/Physical Science Reconstruction	PW	1.623	2.706	27.356	35.201
SBCCD: Crafton Hills	Performing Arts Center Renovation	PW	0.6	1.2	7.361	14.415
SCJCD: Pub. Safety Training Center	Public Safety Training Center Expansion	PW	0.398	0.664	4.975	7.427
SCJCD: Santa Rosa Junior College	Tauzer Gym Renovation	PW	0.887	1.776	10.249	20.131
SJCCD: College of the Siskiyous	Theatre Arts Building Remodel/Addition	PW	2.041	2.041	27.482	27.482
SJCCD: Sierra	Gymnasium Modernization	PW	2.409	3.212	27.865	37.183

WVMCCD: Mission	Performing Arts Building	PW	1.024	2.047	14.089	30.686
YCCD: Yuba	Fire Alarm System Upgrade	PW	0.377	0.471	4.07	5.088
Total			\$223.099	\$416.594	\$602.028	\$1,073.324

C=construction phase. PW=preliminary plans, working drawing phases.

Reappropriations. In addition to funding continuing and new projects as listed above, the Budget Act reappropriates previously approved funding for 23 existing CCC projects due to delays in their design or construction phases. The reappropriated projects are shown in Table 8.

Table 8: CCC Capital Outlay Reappropriations

District	College/Location	Project	Phase
Coast	Golden West	Language Arts Complex Replacement	Construction
Imperial Valley	Imperial Valley	Academic Buildings Modernization	Construction
Los Rios	Natomas Education Center	Natomas Center Phase 2 & 3	Working Drawings
Los Rios	Folsom Lake	Instructional Buildings Phase 2.1	Working Drawings
Monterey Peninsula	Fort Ord Center	Public Safety Center Phase 2	Working Drawings
Monterey Peninsula	Monterey Peninsula	Music Facility Phase 1	Working Drawings
North Orange County	Fullerton	Business 300 and Humanities 500 Buildings Modernization	Construction
Pasadena	Pasadena City College	Armen Sarafian Building Seismic Replacement	Construction
Peralta	Merritt	Child Development Center	Construction
Peralta	Laney	Learning Resource Center	Construction
Peralta	College of Alameda	Replacement of Buildings B and E (Auto and Diesel Technologies)	Working Drawings
Peralta	Laney	Modernize Theatre Building	Working Drawings
Peralta	Merritt	Horticulture Building Replacement	Working Drawings
Rancho Santiago	Santa Ana	Russell Hall Replacement	Construction
Redwoods	College of the Redwoods	Physical Education Replacement	Working Drawings
Redwoods	College of the Redwoods	Arts Building Replacement	Construction
Rio Hondo	Rio Hondo	Music/Wray Theater Renovation	Working Drawings

Rio Hondo	Rio Hondo	L Tower Seismic and Code Upgrades	Construction
San Francisco	Ocean Campus	Utility Infrastructure Replacement	Construction
San Francisco	Aleman Center	Seismic and Code Upgrades	Construction
Santa Monica	Santa Monica	Arts Complex Consolidation	Working Drawings
West Hills	West Hills Lemoore	Instructional Center Phase 1	Working Drawings
Yuba	Woodland	Performing Arts Facility	Working Drawings

Bond Measure Defeated. In the March 3 statewide primary election, a majority of voters rejected Proposition 13, a School and College Facilities Bond, which would have provided \$2 billion for CCC educational facilities (out of a total of \$15 billion for all educational segments). This is the first school bond proposal rejected by California’s voters since 1994. In the final tally, 47% of voters voted in favor of the bond proposal and 53% voted against.

STATE OPERATIONS

The Budget Act includes two substantive changes for state operations, all from non-Proposition 98 General Fund:

- \$700,000 in one-time support to convene a working group on student athlete compensation in the community colleges, as required by Senate Bill 206 of 2019 (Skinner).
- \$166,000 ongoing for one position in the Accounting Office, including operating expenses.

Local Budgets and Districts' Fiscal Health

LOCAL BUDGETS

Budget Planning and Forecasting

Based on the information used in developing the state budget, it would be reasonable for districts to plan their budgets using information shown in Table 9 below.

Table 9: Planning Factors for Proposed 2020-21 Budget

Factor	2018-19	2019-20	2020-21
Cost-of-living adjustment (COLA)	2.71%	3.26%	0.00%
Base reductions	0.00%	0.00%	-8.00%
State Lottery funding per FTES	\$218.34	\$221.87	\$223.54
Mandates Block Grant funding per FTES	29.21	30.16	30.16

RSI reimbursement per hour	6.26	6.45	6.44
Financial aid administration per College Promise Grant	0.91	0.91	0.91
Public Employees' Retirement System (CalPERS) employer contribution rates	19.72%	22.67%	20.70%
State Teachers' Retirement System (CalSTRS) employer contribution rates	16.28%	17.10%	16.15%

The Budget Act and related trailer bill legislation include new requirements for the Student Equity and Achievement Program; for retaining classified employees in nutrition, transportation, and custodial positions; and for calculations related to the 50% Law, as described earlier. We are not aware of any other changes in allocation methods, match requirements, or other requirements for local support programs.

State Requirements for District Budget Approval

Annual Process. Existing law requires the governing board of each district to adopt an annual budget and financial report that shows proposed expenditures and estimated revenues by specified deadlines. For this year, the Chancellor's Office has determined that strict compliance with the regulations governing financial reporting requirements will impede the continuity of education during the COVID-19 pandemic. For this reason, the Chancellor has issued Executive Order 2020-06 temporarily extending financial reporting deadlines as shown in Table.

Table 10: Revised Financial Reporting Deadlines for 2020-21

Activity	Regulatory Due Date	New Due Date	Title 5 Section
Submit tentative budget to county officer.	July 1, 2020	August 1, 2020	58305(a)
Make available for public inspection a statement of prior year receipts and expenditures and current year expenses.	September 15, 2020	October 31, 2020	58300
Hold a public hearing on the proposed budget. Adopt a final budget.	September 15, 2020	October 31, 2020	58301 58305(c)
Complete the adopted annual financial and budget report and make public.	September 30, 2020	November 15, 2020	58305(d)
Submit an annual financial and budget report to Chancellor's Office.	October 10, 2020	November 30, 2020	58305(d)
Submit an audit report to the Chancellor's Office.	December 31, 2020	February 28, 2021	59106

If the governing board of any district fails to develop a budget as described, the Chancellor may withhold any apportionment of state or local money to the district for the current fiscal year until the district makes a proper budget. These penalties are not imposed on a district if the Chancellor determines that unique circumstances made it impossible for the district to comply with the provisions or if there were delays in the adoption of the annual state budget.

The total amount proposed for each major classification of expenditures is the maximum amount that may be expended for that classification for the fiscal year. Through a resolution, the governing board may make budget adjustments or authorize transfers from the reserve for contingencies to any classification (with a two-thirds vote) or between classifications (with a majority vote).

State Requirements Related to Expenditures

State law includes two main requirements for districts' use of apportionments. The Chancellor's Office monitors district compliance with both requirements and annually updates the Board of Governors.

Full-Time Faculty Obligation. State law sets a goal that 75% of instructional hours in each district should be taught by full-time faculty. Each district has a baseline reflecting the number of full-time faculty in 1988-89. Each year, if the Board of Governors determines that adequate funds exist in the budget, districts are required to increase their base number of full-time faculty over the prior year in proportion to the amount of growth in funded credit full time equivalent students. The target number of faculty is called the Faculty Obligation Number (FON). An additional increase to the FON is required when the budget includes funds specifically for the purposes of increasing the full-time faculty percentage. The Chancellor is required to assess a penalty for a district that does not meet its FON for a given year. For Fall 2020, Chancellor Oakley issued [Executive Order 2020-05](#) temporarily deferring all penalties related to FON obligations for the Fall 2020 report until further notice. Districts must continue to report actual full-time and part-time faculty data to the Chancellor's Office (reporting instructions will be provided at a later date). While penalties are deferred and not waived, the Chancellor's Office will continue to calculate and publish FON data for the community college system.

Fifty Percent Law. A second requirement related to budget levels is a statutory requirement that each district spend at least half of its Current Expense of Education each fiscal year for salaries and benefits of classroom instructors. Under existing law, a district may apply for an exemption under limited circumstances. As described earlier, budget trailer bill language exempts COVID-19-related expenditures from the Fifty Percent Law through June 30, 2021.

DISTRICTS' FISCAL HEALTH

The Board of Governors has established standards for sound fiscal management and a process to monitor and evaluate the financial health of community college districts. These standards are intended to be progressive, with the focus on prevention and assistance at the initial level and more direct intervention at the highest level.

Under that process, each district is required to regularly report to its governing board the status of the district's financial condition and to submit quarterly reports to the Chancellor's Office. Based on these reports, the Chancellor is required to determine if intervention is needed. Specifically, intervention may be necessary if a district's report indicates a high probability that, if trends continue unabated, the district will need an emergency apportionment from the state within three years or that the district is not in

compliance with principles of sound fiscal management. The Chancellor's Office's intervention could include, but is not limited to, requiring the submission of additional reports, requiring the district to respond to specific concerns, or directing the district to prepare and adopt a plan for achieving fiscal stability. The Chancellor also could assign a fiscal monitor or special trustee.

The Chancellor's Office's primary focus is the district's unrestricted general fund. The Chancellor's Office reviews the current, historical, and projected fund balances. Specifically, the Chancellor's Office assesses the unrestricted general fund balance as a percentage of all expenditures and other outgo of unrestricted general fund. The minimum prudent percentage of unrestricted general fund balance to all expenditures and other outgo of unrestricted general fund is 5%. This minimum prudent percentage is considered necessary to protect cash flow and respond to uncertainties.

Districts are strongly encouraged to regularly assess risks to their fiscal health. The Fiscal Crisis and Management Assistance Team has developed a Fiscal Health Risk Analysis for districts as a management tool to evaluate key fiscal indicators that may help measure a district's risk of insolvency in the current and two subsequent fiscal years.

Conclusion

The Governor and Legislature had the extraordinarily difficult task of developing a budget amid a worsening health crisis whose economic costs are only beginning to be understood. The budget prioritizes public health, maintains K-12 education and community college programs, and strives to protect the most vulnerable Californians. To accomplish this, the budget relies heavily on spending deferrals and anticipated federal funding. In the best circumstance, the state will be able to avoid further reductions and reverse the deferrals within the next few years following a swift economic recovery. If the COVID-19 pandemic and its economic impact turn out to be more extended, however, the adopted deferrals could result in the need for greater budget reductions in the future. Districts would be prudent to take the possibility of extended budget impacts into account as they plan and implement local budgets.

Although the budget has been enacted, it is possible that the Governor and Legislature could make changes to the budget later in the current legislative session or in a special session. The Chancellor's Office will post updates concerning any changes made to the budget on its [Budget News](#) website.

Appendices

Please see the following pages for supplemental information:

- Appendix A: Overview of the State Budget Process
- Appendix B: Revised System Budget Priorities Compared to Enacted Budget
- Appendix C: Glossary

Appendix A: Overview of the State Budget Process

The Governor and the Legislature adopt a new budget every year. The Constitution requires a balanced budget such that, if proposed expenditures exceed estimated revenues, the Governor is required to recommend changes in the budget. The fiscal year runs from July 1 through June 30.

Governor’s Budget Proposal. The California Constitution requires that the Governor submit a budget to the Legislature by January 10 of each year. The Director of Finance, who functions as the chief financial advisor to the Governor, directs the preparation of the Governor’s Budget. The state’s basic approach is incremental budgeting, estimating first the costs of existing programs and then adjusting those program levels. By law, the chairs of the budget committees in each house of the Legislature—the Senate Budget and Fiscal Review Committee and the Assembly Budget Committee—introduce bills reflecting the Governor’s proposal. These are called budget bills, and the two budget bills are identical at the time they are introduced.

Related Legislation. Some budget changes require that changes be made to existing law. In these cases, separate bills—called “trailer bills”—are considered with the budget. By law, all proposed statutory changes necessary to implement the Governor’s Budget are due to the Legislature by February 1.

Legislative Analyses. Following the release of the Governor’s Budget in January, the LAO begins its analyses of and recommendations on the Governor’s proposals. These analyses, each specific to a budget area (such as higher education) or set of budget proposals (such as transportation proposals), typically are released beginning in mid-January and continuing into March.

Governor’s Revised Proposals. Finance proposes adjustments to the January budget through “spring letters.” Existing law requires Finance to submit most changes to the Legislature by April 1. Existing law requires Finance to submit, by May 14, revised revenue estimates, changes to Proposition 98, and changes to programs budgeted based on enrollment, caseload, and population. For that reason, the May Revision typically includes significant changes for the CCC budget. Following release of the May Revision, the LAO publishes additional analyses evaluating new and amended proposals.

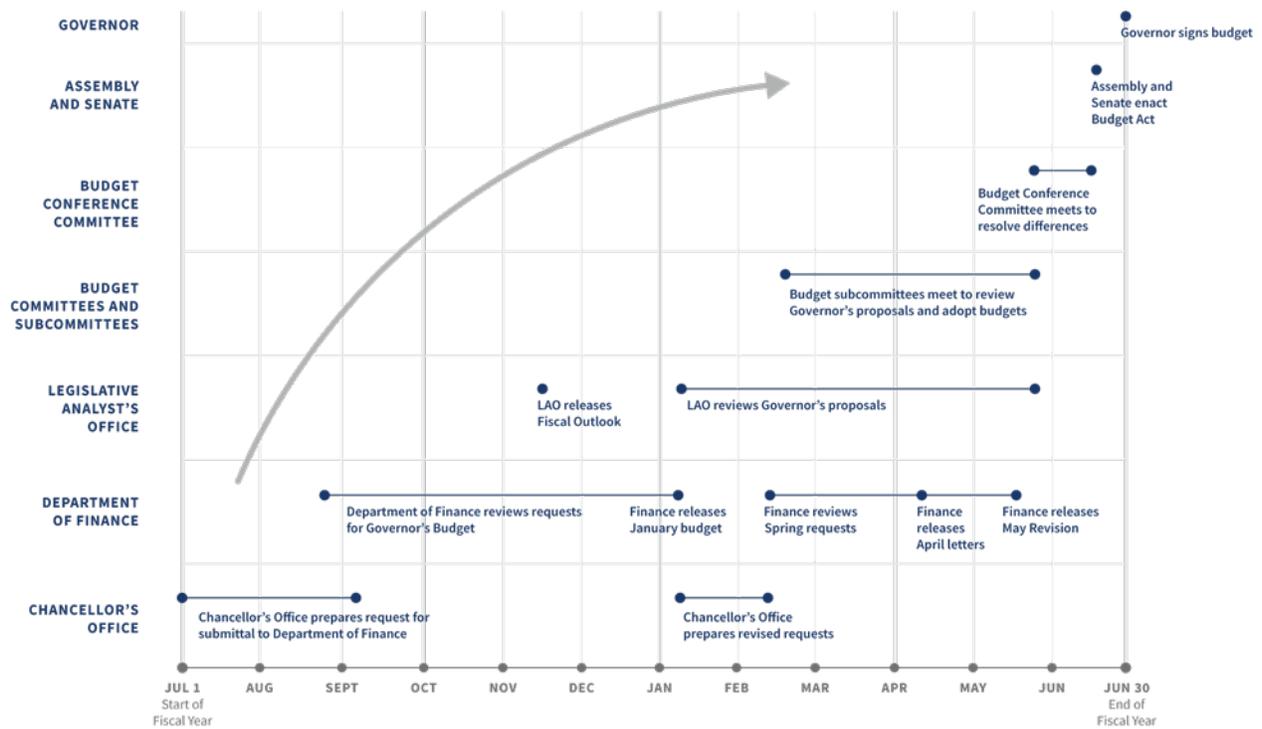
Legislative Review. The budget committees assign the items in the budget to subcommittees, which are organized by areas of state government (e.g., education). Many subcommittees rely heavily on the LAO analyses in developing their hearing agendas. For each January budget proposal, a subcommittee can adopt, reject, or modify the proposal. Any January proposals not acted on remain in the budget by default. May proposals, in contrast, must be acted on to be included in the budget. In addition to acting on the Governor’s budget proposals, subcommittees also can add their own proposals to the budget.

When a subcommittee completes its actions, it reports its recommendations back to the full committee for approval. Through this process, each house develops a version of the budget that is a modification of the Governor’s January budget proposal.

A budget conference committee is then appointed to resolve differences between the Senate and Assembly versions of the budget. The administration commonly engages with legislative leaders during this time to influence conference committee negotiations. The committee’s report reflecting the budget deal between the houses is then sent to the full houses for approval.

Budget Enactment. Typically, the Governor has 12 days to sign or veto the budget bill. The Governor also has the authority to reduce or eliminate any appropriation included in the budget. Because the budget bill is an urgency measure, the bill takes effect as soon as it is signed.

SEQUENCE OF THE ANNUAL STATE BUDGET PROCESS



Appendix B: Revised System Budget Priorities Compared to Enacted Budget

Revised System Budget Priorities	Enacted Budget
Ongoing Investments	
\$199.1 million for a cost of living adjustment (COLA) to the Student Centered Funding Formula and workload adjustments to base resources.	Not funded. Provides no COLA or growth, defers \$332 million in 2019-20 and \$1.5 billion in 2020-21, authorizes the reduction of the 2020-21 deferral if Finance determines sufficient federal funds are provided for that purpose. Provides for limited exceptions to deferral for districts that meet certain criteria and gives Chancellor's Office some flexibility in administering deferrals.
\$10 million to transition classes and student services online, including library services; expand student services and support systems; and ensure that online courses and instructional materials meet federal and state accessibility requirements.	See one-time funding provided below.
\$5 million to support programs for part-time faculty.	Not funded.
	Provides \$10 million ongoing support for immigrant legal services.
Budget-Neutral Actions	
Consolidation of multiple disparate funding streams for system support and accountability, currently included in various categorical program set-asides and statewide programs, into a unified CCC System Support Program.	Defers proposal for consideration in a future year.
One-Time Investments	
\$40 million to mitigate the loss of student fee revenues and maintain educational quality.	Not funded.
\$25 million to help faculty transition to quality online instruction and adopt innovative models including competency-based learning.	Provides \$120 million COVID-19 response block grant (\$66 million Proposition 98 and \$54 million in federal coronavirus relief funds) for activities that directly support student learning and mitigate learning loss related to pandemic. Reduces funding for Calbright College by \$5 million (25%) ongoing and \$40 million one time.
\$15 million for a block grant to help colleges meet students' basic needs and provide emergency assistance, including funds for equipment, internet access, retention grants, and other support as students transition to online learning.	Permits districts to use COVID-19 response block grant described above for student needs. Requires a district receiving Student Equity and Achievement Program funds to support or establish a food pantry or food distribution program.
\$10 million for a statewide pilot fellowship program to improve faculty diversity.	Not funded.

Re-Appropriation of Critical Investments	
\$36 million reappropriation of expiring funds to support critical categorical programs.	Redirects \$49 million in reappropriations to offset Student Centered Funding Formula reductions.
Non-Proposition 98 Investments	
Approval of a new Cal Grant framework that focuses resources on the most financially vulnerable students.	Not adopted. Provides \$15 million one-time General Fund to support emergency financial aid for undocumented students at UC, CSU, and CCC through Cal Grant program. Of this, \$11 million is designated for CCC. Also provides \$250,000 for a student loan working group coordinated by Student Aid Commission.
	Provide \$700,000 one-time General Fund to support a working group to review current rules governing the use of athletes' names, images and likeness per the Fair Pay to Play Act. Prevents districts from laying off or releasing classified employees in nutrition, transportation, or custodial services for 2020-21 fiscal year, except for cause.

Appendix C: Glossary

Appropriation: Money set apart by legislation for a specific use, with limits in the amount and period during which the expenditure is to be recognized.

Augmentation: An increase to a previously authorized appropriation or allotment.

Bond Funds: Funds used to account for the receipt and disbursement of non-self-liquidating general obligation bond proceeds.

Budget: A plan of operation expressed in terms of financial or other resource requirements for a specific period.

Budget Act (BA): An annual statute authorizing state departments to expend appropriated funds for the purposes stated in the Governor's Budget, amended by the Legislature, and signed by the Governor.

Budget Year (BY): The next state fiscal year, beginning July 1 and ending June 30, for which the Governor's Budget is submitted (i.e., the year following the current fiscal year).

Capital Outlay: Expenditures which result in acquisition or addition of land, planning and construction of new buildings, expansion or modification of existing buildings, or purchase of equipment related to such construction, or a combination of these.

Cost of Living Adjustment (COLA): Increases provided in state-funded programs intended to offset the effects of inflation.

Current Year (CY): The present state fiscal year, beginning July 1 and ending June 30 (in contrast to past or future periods).

Deferrals: Late payments to districts when the state cannot meet its funding obligations. Deferrals allow districts to budget for more money than the state will provide in a given year. A district is permitted to spend as if there is no deferral. Districts typically rely on local reserves or loans to cover spending for the fiscal year.

Department of Finance (DOF or Finance): A state fiscal control agency. The Director of Finance is appointed by the Governor and serves as the chief fiscal policy advisor.

Education Protection Account (EPA): The Education Protection Account (EPA) was created in November 2012 by Proposition 30, the Schools and Local Public Safety Protection Act of 2012, and amended by Proposition 55 in November 2016. Of the funds in the account, 89 percent is provided to K-12 education and 11 percent to community colleges.

Expenditure: Amount of an appropriation spent or used.

Fiscal Year (FY): A 12-month budgeting and accounting period. In California state government, the fiscal year begins July 1 and ends the following June 30.

Fund: A legal budgeting and accounting entity that provides for the segregation of moneys or other resources in the State Treasury for obligations in accordance with specific restrictions or limitations.

General Fund (GF): The predominant fund for financing state operations; used to account for revenues which are not specifically designated by any other fund.

Governor's Budget: The publication the Governor presents to the Legislature by January 10 each year, which includes recommended expenditures and estimates of revenues.

Legislative Analyst's Office (LAO): A nonpartisan office that provides fiscal and policy advice to the Legislature.

Local Assistance: Expenditures made for the support of local government or other locally administered activities.

May Revision: An update to the Governor's Budget presented by Finance to the Legislature by May 14 of each year.

Past Year or Prior Year (PY): The most recently completed state fiscal year, beginning July 1 and ending June 30.

Proposition 98: A section of the California Constitution that, among other provisions, specifies a minimum funding guarantee for schools and community colleges. California Community Colleges typically receive 10.93% of the funds.

Reserve: An amount set aside in a fund to provide for an unanticipated decline in revenue or increase in expenditures.

Revenue: Government income, generally derived from taxes, licenses and fees, and investment earnings, which are appropriated for the payment of public expenses.

State Operations: Expenditures for the support of state government.

Statute: A law enacted by the Legislature.

Tax and Revenue Anticipation Notes (TRANS): Short-term debt instruments issued in anticipation of taxes or other revenues to be collected at a later date.

Workload Budget: The level of funding needed to support the current cost of already-authorized services.



TO: California Community Colleges

FROM: Lizette Navarette, Vice Chancellor, College Finance and Facilities Planning

RE: 2020-21 State Budget Update – Governor and Legislative Agreement

2020-21 State Budget Agreement:

On June 22, Governor Newsom and Assembly and Senate leadership reached an agreement around a final 2020-21 state spending plan. The final agreement includes components of the Governor's [May Revision](#) and the legislative plan approved on June 15. An amended 2020-21 State Budget Act ([SB 121/AB 89](#)) will be presented for a vote by the full legislature by the end of the week. Governor Newsom is expected to sign the budget by the end of the month.

For California Community Colleges, the 2020-21 budget agreement prevents cuts to apportionments and categoricals. In order to accomplish this, \$1.45 billion in funding to colleges is deferred to future years. Of the \$1.45 billion total deferral, \$791 million would trigger-off if Congress approves a fourth stimulus package by October 1, 2020.

2020-21 Highlights for California Community Colleges

A comprehensive Joint Analysis of the 2020-21 Budget Act and its impact on California Community Colleges will be released later this month. In the meantime, a top-level summary of provisions relevant to community colleges is provided below.

Apportionments -

- Rejects the May Revision proposal to cut apportionment funding.
- Approves the May Revision proposal to extend minimum revenue provisions (hold harmless) under the Student Centered Funding Formula by an additional two years.
- No cost-of-living adjustment (COLA) and no growth funds included.

Block Grant -

- Includes \$120 million one-time from Proposition 98 and federal funds to support a basic needs/learning loss/COVID 19 response block grant to colleges to support expenses such as mental health services, housing and food insecurity, re- engagement for students who left college in Spring 2020, technology and development of online courses, and student supports. Federal portion of funds (\$55 million must be spend by December 31, 2020).

Deferrals –

- Approves a \$332 million deferral of community college apportionments from this May and June to the next fiscal year. Since these funds were already distributed, this deferral is primarily for state accounting purposes.

- Approves a \$662.1 million deferral from 2020-21 to 2021-22. Includes trailer bill language to allow hardship exemptions.
- Includes a trigger deferral of \$791.1 million Proposition 98. This deferral would be withdrawn if the state receives federal funding.

Categoricals -

- Protects against cuts to any categorical programs, including the Strong Workforce Program and Student Equity and Achievement, keeping the programs at 2019-20 spending levels.
- Creates a food pantry expense within the Student Equity and Achievement Program.
- Defers the Governor’s Budget proposal to create the System of Support program.
- Provides \$10 million ongoing support for immigrant legal services.

Capital Outlay -

- Approves Proposition 51 resources to support 25 new and 15 continuing capital outlay projects. Also approves the May Revision proposal to reappropriate funds for 9 projects.

Other Provisions -

- Reduces funding for Calbright College by \$5 million ongoing and \$40 million one-time.
- Provide \$700,000 one-time General Fund to support a working group to review current rules governing the use of athletes’ names, images and likeness per the Fair Pay to Play Act.
- Provides \$15 million one-time General Fund (through the Cal Grant program) to support emergency financial aid for undocumented students at UC, CSU and the community colleges. \$11 million of total program resources designated for community colleges.
- Prohibits district boards from terminating the services of any permanent or probationary classified employees of the community college district that hold classifications in or are assigned to positions in nutrition, transportation, or custodial services.

Budget and Trailer Bills:

Bill Number	Topic
SB 121/AB 89	Amendments to 2020 Budget Act
SB 111/AB 84	CalSTRS/CalPERS
SB 116/AB 94	Higher Education
SB 108/AB 82	General Government

Next Steps:

The Senate and Assembly are expected to approve amendments to the Budget Act ([SB 121/AB 89](#)) later this week. The legislature will also consider accompanying budget trailer bills. Once approved, it will be presented to Governor Newsom for signature and enactment by July 1, 2020.

For more information please visit the **Budget News** section of the Chancellor’s Office website: www.cccco.edu/About-Us/Chancellors-Office/Divisions/College-Finance-and-Facilities-Planning/Budget-News, or contact me at lnavarette@ccco.edu.



Santa Barbara City College 2020-21 Tentative Budget

Board of Trustees

June 25, 2020



Agenda

- State Budget Update
- Tentative Budget Assumptions
- Unrestricted General Fund – The Numbers
- Fund Balances
- Fiscal Projections



State Budget Update

2020-21 State Budget Agreement:

On June 22, Governor Newsom and Assembly and Senate leadership reached an agreement around a final 2020-21 state spending plan. The final agreement includes components of the Governor's May Revision and the legislative plan approved on June 15. An amended 2020-21 State Budget Act (SB 121/AB 89) will be presented for a vote by the full legislature by the end of the week. Governor Newsom is expected to sign the budget by the end of the month.

For California Community Colleges, the 2020-21 budget agreement prevents cuts to apportionments and categoricals. In order to accomplish this, \$1.45 billion in funding to colleges is deferred to future years. Of the \$1.45 billion total deferral, \$791 million would trigger-off if Congress approves a fourth stimulus package by October 1, 2020.



State Budget Update

- 8% Base Reduction Eliminated From May Revise
- No COLA Included
- No Growth Funding Included
- Proposed Cuts to Categorical Programs were Eliminated
- Includes Deferrals of \$16M from Fiscal Year 20-21 to 21-22
 - \$8.7M will be withdrawn if the state receives federal funding by October 1st
 - Deferrals will reduce cash payments from the state in February – June 2021
- Prohibits community college district board from terminating the services of any permanent or probationary classified employees of the school district or community college district that hold classifications in or are assigned to positions in nutrition, transportation, or custodial services



20-21 Tentative Budget Assumptions

Primary Budget Assumptions Included in the Tentative Budget

- FTES Growth not included in Fiscal Year 2020-21
- No COLA for Fiscal Year 2020-21
- International Tuition will Decline by \$2.25M (30%)
- Out-of-State Tuition with Decline by \$900K (20%)
- Annual Salary Step Increases of \$523K
- SRP Program Salary and Benefit Savings of \$1.88M
- Reduce Short Term Hourly & Student Worker Budget by \$175K
- Reduce Tutorial Budget by \$75,000 to \$675,000



20-21 Tentative Budget Assumptions (cont.)

Primary Budget Assumptions Included in the Tentative Budget

- Employer Contributions towards health benefits increase by 2.5%
- CalPERS Rate Increases from 19.721% to 20.7%
- CalSTRS Rate Decreases from 17.1% to 16.15%
- Operational Budgets Increased by \$250K related to the District's response to COVID-19



20-21 Tentative Budget Transfer Assumptions

Transfer Assumptions

- Transfer \$200,000 from the UGF to Children's Center Fund
- Transfer \$0 from the UGF to Construction Fund for Emergency Repairs
- Transfer \$400,000 from UGF to Equipment Fund for IT Refresh
- Transfer \$500,000 from UGF to Self-Insurance Fund for Liability Insurance Payments
- Transfer \$0 from UGF to Food Service Fund
- Transfer \$400,000 from various grant funds to UGF for administrative overhead
- Transfer \$1.5M from Construction Fund to UGF, removing La Playa Turf replacement project



2020-21 Tentative Budget Unrestricted General Fund

“The Numbers”

2020-21 Unrestricted General Fund Tentative Budget

	2019-20 Adopted Budget	2019-20 Adjusted Budget	2020-21 Tentative Budget
Revenue			
Federal Revenue	\$0	\$0	\$0
State Revenue	45,087,000	45,087,000	45,622,000
Local Revenue	54,916,500	55,131,338	50,436,800
Total Revenue	\$100,003,500	\$100,218,338	\$96,058,800
Expenses			
Certificated Salaries	\$45,085,055	\$45,342,304	\$43,158,401
Classified Salaries	21,933,588	21,961,990	20,806,013
Employee Benefits	23,411,007	23,452,940	23,524,987
Materials & Supplies	1,464,475	1,500,338	1,479,835
Operating Expenses	10,068,175	10,418,315	9,778,175
Capital Outlay	378,500	596,925	423,100
Total Expenses	\$102,340,800	\$103,272,812	\$99,170,511
Transfers & Other			
Transfers In	\$0		\$1,500,000
Other Sources	400,000	439,963	400,000
Transfers out	(1,300,000)	(2,100,000)	(1,100,000)
Contingency	0	0.00	0.00
Other Out Go	(16,390)	(16,390)	(10,000)
Total Transfers/Other	(\$916,390)	(\$1,676,427)	\$790,000
Fund Balance			
Net Change in Fund Balance	(\$3,253,690)	(\$4,730,901)	(\$2,321,711)
Beginning Balance, July 1	27,761,217	27,761,217	23,030,316
Adjustments to Beginning Balance	0	0	0
Net Fund Balance, June 30	\$24,507,527	\$23,030,316	\$20,708,605



General Fund Reserve Details

	June 30, 2019 Actual Ending Balance	June 30, 2020 Adjusted Budget Ending Balance	June 30, 2021 Adopted Budget Ending Balance
Designated:			
State Mandated Contingency (5%)	\$ 5,117,040	\$ 5,163,641	\$ 4,958,526
General Apportionment Deferral	\$0		7,500,000
Additional Reserve required to meet 15% Principle	15,351,120	15,490,922	7,375,577
Total Designated	\$ 20,468,160	\$ 20,654,562	\$ 19,834,102
Undesignated:			
	\$ 7,293,057	\$ 2,375,754	\$ 874,503
Total Fund Balance	\$ 27,761,217	\$ 23,030,316	\$ 20,708,605
<i>% Designated Ending Balance/Expenditures</i>	21.60%	19.68%	20.16%
<i>% Total Ending Balance/Expenditures</i>	26.89%	21.94%	21.05%

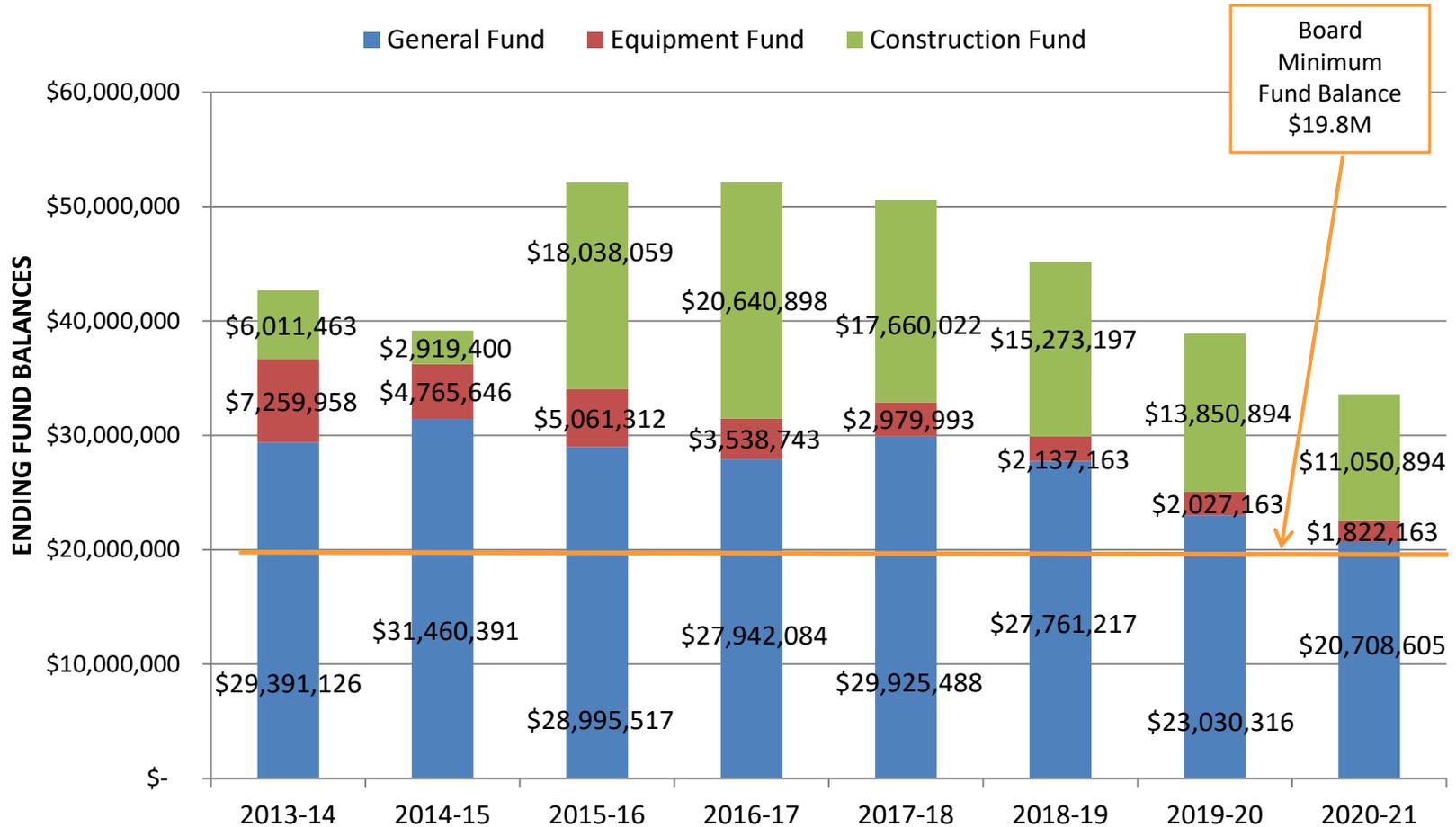


Capital Projects Fund Reserve Details

	June 30, 2020 Estimated Ending Balance	June 30, 2020 Revenues	June 30, 2020 Expenses	June 30, 2020 Intrafund Transfers	June 30, 2020 Transfers From UGF	June 30, 2021 Tentative Budget Ending Fund Balance
Fund Balance						
Equipment Fund						
Equipment Replacement	\$ 1,831,916	\$ 20,000	\$ (600,000)		\$ 400,000	\$ 1,651,916
Ergonomic Furniture & Equipment	25,000	\$ 50,000	\$ (50,000)			25,000
Instructional Equipment Block Grant	170,247		(125,000)			45,247
Total Equipment Fund Balances	2,027,163	70,000	(775,000)	-	400,000	1,722,163
Construction Fund						
Construction	\$ 2,776,708	\$ 50,000	\$ (500,000)		\$ -	\$ 2,326,708
Campus Center	7,354,110			(7,354,110)		0
PE Building	975,000	2,350,000	(2,700,000)	7,354,110		7,979,110
State Maintenance	570,076		(500,000)			70,076
Energy Efficiency	-					0
La Playa Turf Replacement	1,850,000		0		(1,500,000)	350,000
Classroom Improvement	325,000					325,000
Total Construction Fund Balances	13,850,894	2,400,000	(3,700,000)	-	(1,500,000)	11,050,894
Total Fund Balance	\$ 15,878,057	\$ 2,470,000	\$ (4,475,000)	\$ -	\$ (1,100,000)	\$ 12,773,057

Fund Balances

TENTATIVE BUDGET 2020-21



5 Year Fiscal Projections



	2020-21 Draft Tentative Budget as of 6/24/2020	2021-22 Projected Budget	2022-23 Projected Budget	2023-24 Projected Budget	2024-25 Projected Budget
Total Revenues	97,958,800	100,308,800	104,508,800	107,333,800	110,258,800
Expenditures					
Salaries & Benefits	87,489,401	88,639,401	89,664,401	91,564,401	94,089,401
Operations	11,258,010	11,758,010	11,983,010	12,308,010	12,733,010
Capital Outlay	423,100	323,100	323,100	323,100	323,100
Other Expenditures	10,000	10,000	10,000	10,000	10,000
Transfers Out	1,100,000	1,700,000	1,700,000	1,700,000	1,700,000
Total Expenditures	100,280,511	102,430,511	103,680,511	105,905,511	108,855,511
Net Change In Fund Balance	(2,321,711)	(2,121,711)	828,289	1,428,289	1,403,289
Beginning Fund Balance	23,030,316	20,708,605	18,586,894	19,415,183	20,843,472
Change in Fund Balance	(2,321,711)	(2,121,711)	828,289	1,428,289	1,403,289
Ending Fund Balance	20,708,605	18,586,894	19,415,183	20,843,472	22,246,761
Board Policy Designated Reserve	19,836,102	20,146,102	20,396,102	20,841,102	21,431,102
Amount Over / (Under) Board Designated Reserve	872,503	(1,559,208)	(980,919)	2,370	815,659



Questions?