



C H A B O T - L A S P O S I T A S

| *Community College District*

2020-21 May Revise Budget Update

Presented May 19, 2020

By Doug Roberts

Acting Vice Chancellor, Business Services



The 2020-21 Budget (from January to May)

- Due to the economic impacts, resulting from the Covid-19 pandemic, **the State's budget for 2020-21 has changed dramatically since January**
- **In January...** the State built a budget based upon a projected **surplus of \$5.6 Billion** in State General Fund Revenues
- As of May ... the State has built a budget to deal with a projected **deficit of \$54.3 Billion**



State's Balanced Budget Solutions for 2020-21 May Revise	(in Billions)
Cancel previously planned program expansions and spending increases	6.1
Redirect extraordinary payments to CalPERS to offset the State's obligations in 2020-21 and 2021-22	2.3
Draw down from the Rainy Day Fund	7.8
Allocate from the Safety Net Reserve to offset increased costs to in health and human services	0.5
Utilize the Public Schools System Stabilization Account	0.5
Borrow and make Transfers from Special Funds	4.1
Payment Deferrals - (\$5.3 B for K-12 , \$1.0 B for CCC's)	6.3
Suspend Net Operating Losses & Limit Tax Credits (Revenue Increases)	4.4
Strategic Use of CARES Act Funds	8.3
"Triggers" ... Expenditure Reductions that will be rescinded should the Federal Government pass the \$1 Trillion Heroes Act	14.0
Total (rounded)	\$54.3



Major Budgetary Impacts on CCC's

- **There will be No COLA for 2020-21** ... (statutory COLA would have been 2.31% at a cost of \$167.2 Million) ... ***there will also be no growth funding***
- **Apportionment will be Reduced by 8%** ... Total Computational Revenue (TCR), per the Student Centered Funding Formula (SCFF), which is approximately \$7.43 Billion for 2019-20, will be reduced by \$593 Million
- The **Strong Workforce Program** will be **reduced by 60%** ... (5 other categorical programs will reduced by 15%)
- \$330 Million of 2019-20 funds will be *deferred* until July 2020 And, **\$662 Million of 2020-21 funds will be deferred until 2021-22**



Impacts & Changes to the SCFF

- **SCFF metric funding rates for 2020-21 will be the same as 2019-20 ... but ... “reduced proportionately” (by 8%)**
- **Total Hold Harmless (minimum revenue) will also be “reduced proportionately” (by 8%)**
- **Hold Harmless Provision is extended thru 2023-24**
- **For 3-year averaging of Credit FTES $(PPY+PY+CY)/3$, the FTES for 2019-20 can also be used for 2020-21**



Other Provisions of the May Revise

- **The redirection of funds**, originally to be used to buydown long-term pension liabilities, **will reduce pension costs (in 2020-21 and 2021-22) by 2%**;
 - **CalSTRS** the 2020-21 rate goes from **18.41% to 16.15%**; for 2021-22, it goes from 18.20% to 16.02%
 - **CalPERS** the 2020-21 rate goes from **22.67% to 20.70%**; for 2021-22, it goes from 25.00% to 22.84%
- **COVID-19 related expenditures** incurred by districts are **exempted from 50% Law calculations**



Other Provisions of the May Revise

- The Budget Provides **\$223.1 million in capital outlay** funding from Proposition 51, that was approved by the voters in 2016
- This funding includes **\$674,000** (in 50-50 match-funding) **for preliminary plans** and working drawings **for the Chabot College, Building 3000** – Maintenance Operations Warehouse & Garage
- The budget includes a **\$10 Million** funding increase **for Immigrant Legal Services** through CDSS



Other Provisions of the May Revise

- The May Revise **Maintains Funding Levels for:**

Cal Grants	Apprenticeship
California Promise Grants	CARE
Student Success Completion Grants	Economic Workforce Development
EOP&S	CalWORKs Student Services
DSP&S	Veterans Resource Center

- And, funds the (*budget-neutral*) **CCC System Support Program** at \$106 Million (though 15% less than originally requested)



Impacts of the May Revise on CLPCCD

Revenue Source & % - Impact	Triggered Reductions *
Apportionment -8%	\$9,136,272
Strong Workforce -60%	\$1,175,281
Student Equity & Achievement -15%	\$887,832
Adjunct Faculty Compensation -15%	\$49,201

* **As a reminder ... These are reductions that will be rescinded should the National, \$1 Trillion Heroes Act be enacted ... (currently, passage is doubtful)**

- The Deferral in 2019-20 will delay approximately \$4 Million of funding for one month
- The Deferral in 2020-21 will delay approximately \$8 Million in funding for several months

(The District accounts for approximately 1.2% of State furnished CCC funding ... 1.4% of total apportionment funding)



Addressing District Reductions in the UGF

- **UGF State Revenues are Budgetarily Distributed** via the current **Budget Allocation Model (BAM)**, which include:
 - SCFF/Hold Harmless Apportionment (less a “**Rollback Set-aside**”)
 - Lottery, Mandated Cost Grant & P-T Faculty Compensation
- Based on the **Total Resources**, BAM-allocations are made:
 - 1) “Off the top,” District-wide “3A” Committed Expenditures*
 - 2) Of the “3B” Remainder - 10.48% goes to D.O., 8.53% to M&O (19.01% Total)
 - 3) A Foundation Distribution: 19.01% to DO & MO; 80.99% to Colleges
 - 4) The Remainder to the Colleges based on their % of Total FTES Goal

* (Some of these expenditure-resources are allocated back to the Colleges)



Addressing the Reductions in the UGF

- Given the BAM formula, every part of the District's resource allocation method is affected by the State's Reductions ... (with the exception of the Step 3A expenditures)
- Factoring-out the "3A" Committed Costs, the State's 8% reduction amounts to a 9.7% reduction to be absorbed by the budgetary-locations (D.O., M&O, and the Colleges)
- But, even within those budget-locations, some of the expenditures are less-than-discretionary



District Unrestricted General Fund

2019-20 Adjusted Budget

F-T Faculty Salaries	\$	28,569,618
P-T Faculty Wages		16,218,724
Regular Classified Salaries		16,292,719
Hourly Classified Wages		1,016,120
Mgmt & Confidential Salaries		10,659,753
Benefits		34,047,505
Other Operating Expenses		9,660,849
Supplies		1,234,182
Capital Outlay		189,783
Transfers		161,011
Total	\$	118,050,264



Expenditure Reduction Considerations

- With **90.5%** of the District's budget dedicated to **Salaries, Wages and Benefits**, a reduction in these areas is a possible consideration
- For Faculty & Adjunct employees, certain requirements must be considered:
 - Sufficient FTEF to reach FTES goals (based on FTES/FTEF ratios)
 - Sufficient F-T Faculty to meet FON requirements
 - Sufficient Instructional Expenditures to meet 50% Law requirements



Expenditure Reduction Considerations

- For **Classified employees**, having sufficient numbers to provide adequate student services, and address the District's Total Cost of Ownership (TCO) is a consideration
- For **Management and Confidential employees** having sufficient numbers to maintain adequate administrative supervision and oversight is a consideration
- Some **Benefits** are negotiated obligations. Others are directly tied to salaries and wages and are set by regulatory rates. Of the latter, reductions in staff will effect a corresponding reduction in benefit-costs



Expenditure Reduction Considerations

- Of the remaining expenditure categories ... **Other Operating Expenses, Supplies, Capital Outlay and Transfers** ... when you consider that a majority of those expenditures are for obligated/committed expenditures ... **there is simply not enough resources (in these areas) to reduce to bridge the budgetary gap**
- Unfortunately, **a significant portion of the of the District's solutions** ... to the Impact of the State's 2020-21 May Revise Budget ... **will have to come from staffing reductions**



Expenditure Reduction Considerations

- So, what are the options?
- Currently, the District has a number of **open/vacant positions** ... some of which could be **frozen, or eliminated**
- **Currently**, the District has approximately **\$3,029,978** in **Budgeted Salary for 36.70 in open/vacant positions:**
 - **F-T Faculty** 11.0 Positions for \$ 999,903
 - **Classified** 21.7 Positions for \$ 1,468,315
 - **Admin & Confidentials** 4.0 Positions for \$ 561,761



Expenditure Reduction Considerations

- It would appear that there are a number of **Classified and Managerial positions** that the District could freeze or eliminate ... and save upwards of \$2 Million
- That is true ... but much depends on the District's need for that position's duties to be performed, and the ability of the District to have those duties added to the work-load of other employees
- But ... even at a savings of \$2 Million, such savings (alone) do not bridge the budgetary gap
- **Furloughs** could be another consideration



Expenditure Reduction Considerations

- Okay, if the District is considering Faculty reductions ... **what about the FON requirement** and the number of Full-time Faculty (FTEF) the District needs to meet the required minimum?
- **As of 2019-20 P-1, the calculated Fall 2020 FON is 299.0 FTEF ... at Fall 2019, the District had 310 FTEF ... it would appear (excluding current vacant positions) that the District has a positive 11.0 FTEF differential**
- It should be noted... Per FS 20-05, **the Chancellor's Office will defer the penalties for not meeting the Fall 2020 FON obligation**



Expenditure Reduction Considerations

- **But, what about the 50% Law requirement? ...** whereby a minimum of 50% of total Unrestricted General Fund expenditures are to be spent on Classroom Expenses?
- As of the annual report to the Chancellor's Office for 2018-19, **the District exceeded the 50% minimum by \$3,741.178**, so the District has an expenditure- cushion in this obligation-area
- It should be noted, per the 2020-21 May Revise, **expenditures that are made due to COVID-19 are excluded** from the 50% Law calculation obligation



Expenditure Reduction Considerations

- As an Alternative to Reductions in F-T Faculty ... **What about Reductions in Adjunct Faculty?**
- At the District's current FTES/FTEF ratio ... every 31.23 FTES reduction (in combined College FTES goals) results in an adjunct faculty cost-reduction of \$68,500
- Stated differently, given the District's current average of 31.23 FTES/FTEF ... (or 468.5 WSCH/FTES) ... **each 1% increase in productivity results in a cost-savings of \$326,000**
- *Note : Since 2013-14 the District's Productivity has declined by 8%*



Other Resource Considerations

- What about using the \$8.1 million ... (after the 8% reduction) ... **“Rollback Set-aside”** to offset the 2020-21 revenue loss?
- It should be noted that (for 2019-20) the District has committed approximately **\$3.4 Million of these funds to back-fill over-expenditures in college adjunct faculty budgets.**
- **Another \$1.2 Million has been committed to SCFF Project proposals**
- And, per PBC, these funds are to be used to build a \$12-16 Million reserve to provide a 3-year transitional cushion to mitigate the ongoing loss of approximately \$6-8 million, when the Hold Harmless provision of the SCFF expires (after 2023-24)
- With what now remains of the unutilized Rollback Set-aside, **it will take everything that remains, over the next three years, to meet PBC’s goal**



Recommendation for Adjunct Budget Augmentation 2019-20

Chabot-Las Positas Analysis of 13XX (instructional part-time faculty) budgets

as of 2/29/2020

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20*
Chabot Budget	6,602,581	7,568,460	7,878,579	7,759,847	9,108,081	8,143,044	8,241,043
LPC Budget	6,054,100	6,443,174	7,811,951	7,267,243	7,196,944	8,148,600	7,494,189
Total Budget	12,656,681	14,011,634	15,690,530	15,027,090	16,305,025	16,291,644	15,735,232
Chabot Actual	8,029,013	8,943,150	10,799,982	11,208,523	11,348,903	11,918,936	12,367,001
LPC Actual	6,744,722	7,157,785	8,034,941	8,599,234	9,168,193	8,993,320	9,190,734
Actual	14,773,735	16,100,934	18,834,923	19,807,757	20,517,096	20,912,256	21,557,735
Surplus/(Deficit)	(2,117,054)	(2,089,300)	(3,144,393)	(4,780,666)	(4,212,071)	(4,620,612)	(5,822,503)

* - Numbers based on Projection of February 2020 YTD Amount, as factored against 2018-19 Ratio of February 2019 YTD Amount to (Final/Actual) Amount

Source: Banner
(as of 3/4/2020)

	2018-19	2018-19		2019-20
	Month 8 YTD	Month 8 YTD to Final Ratio		Month 8 YTD
Chabot YTD	8,765,101	135.98%		9,094,605
LPC YTD	6,617,522	135.90%		6,762,784

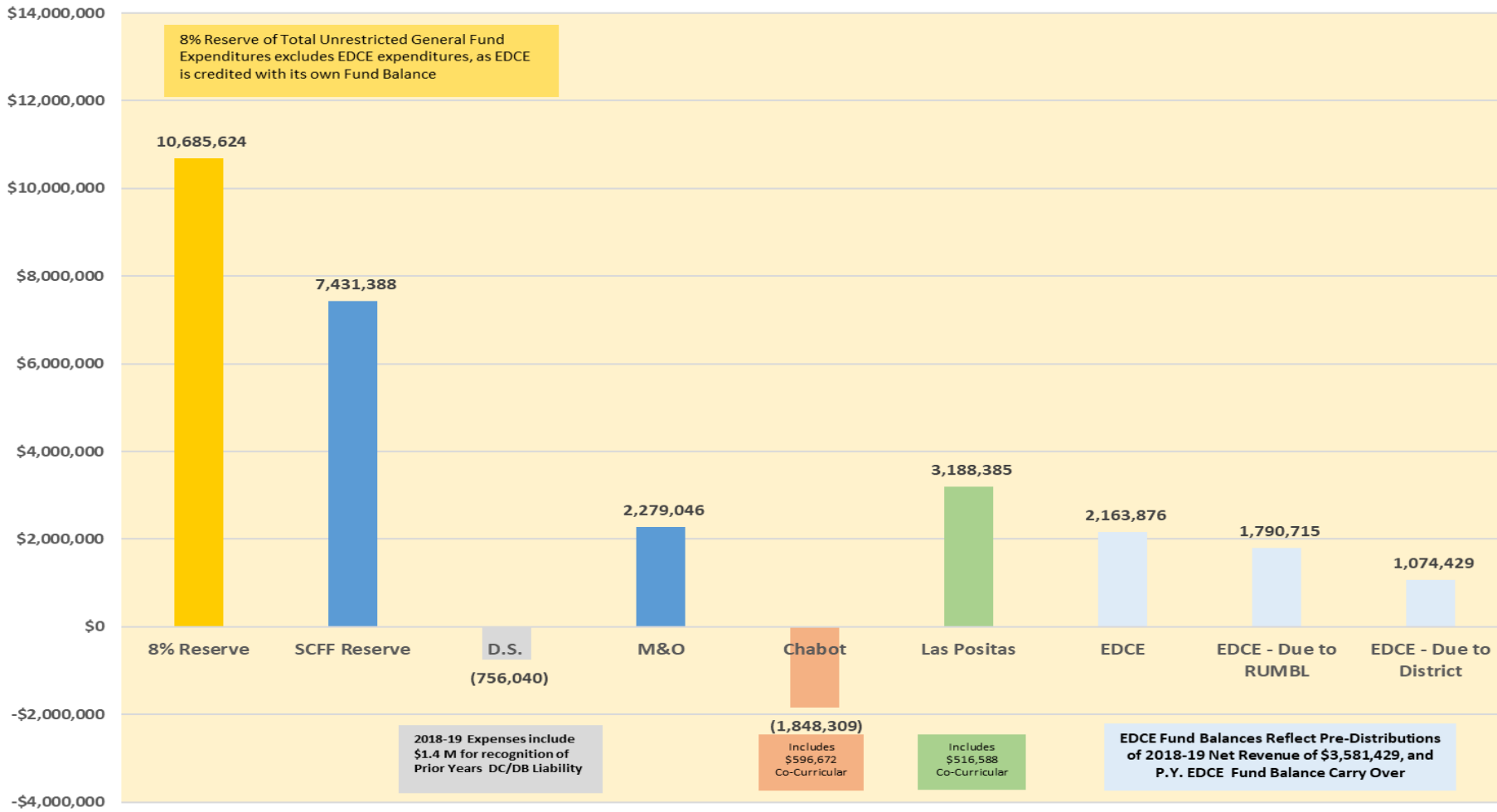


Other Resource Considerations

- Offering another **Employee Retirement Incentive** is a consideration, but they take time to establish, and having offered one just two years ago, significant savings is questionable
- What about using the District's **current fund balances**?
- Currently, the District's Fund balances are, for the most part, just meeting District goals ...
- And, use of such one-time funds, is only a temporary solution for what could be a long-term, ongoing loss of revenue



Breakout of District's Unrestricted General Fund - Ending Fund Balance for 2018-19 (\$26,009,113)





In Summary

- The District currently has a **budgeting structural-deficit** of about **\$3.4 - \$4.0 million** in the Unrestricted General Fund
- The **State's reduction adds** to that by **another \$9 million**
- The funding for **several Grant Programs** is also being **drastically reduced**
- There are several measures being considered to address the fiscal issues, but it would seem that **no one solution solves everything**



In Summary

- Experts say the that the time it will take for **the State's economy to recover will depend on the COVID-19 virus.**
- If the recovery is slow, then the reduced level of State funding (for community colleges) ... currently being experienced ... may continue for more than a year
- The District may have some one-time resources to help mitigate the fiscal problem for 2020-21, but ... longer-term ... more permanent reductions might be necessary



In Summary

- The extent of the State's budget reductions is **news that is not yet a week old**
- The cobbling together of an adequate fiscal response will take a some time ... but hopefully not too long, as **fiscal 2020-21 starts in a little over six weeks**
- Administration will be working with our academic and classified partners to develop a well-thought-out plan
- **As long as we work together, and stick together ... *we will get through this together***



End of Presentation

Questions?