Chabot-Las Positas Community College District

State Budget Update

PBC Meeting

December 4, 2020

Topic

- Legislative Analyst's Office Multi-Year Forecast

The 2021-22 Budget:
California's Fiscal Outlook

https://lao.ca.gov/reports/2020/4297/fiscal-outlook-111820.pdf

The 2021-22 Budget:
The Fiscal Outlook for Schools and Community Colleges

https://lao.ca.gov/reports/2020/4298/prop98-outlook-111820.pdf

Summary

- "Dramatic rebound in the outlook for school and community college funding"
- Prop 98 Guarantee is estimated to be up over $13 billion in FY 2020-21 (18.5%) over the June budget act.
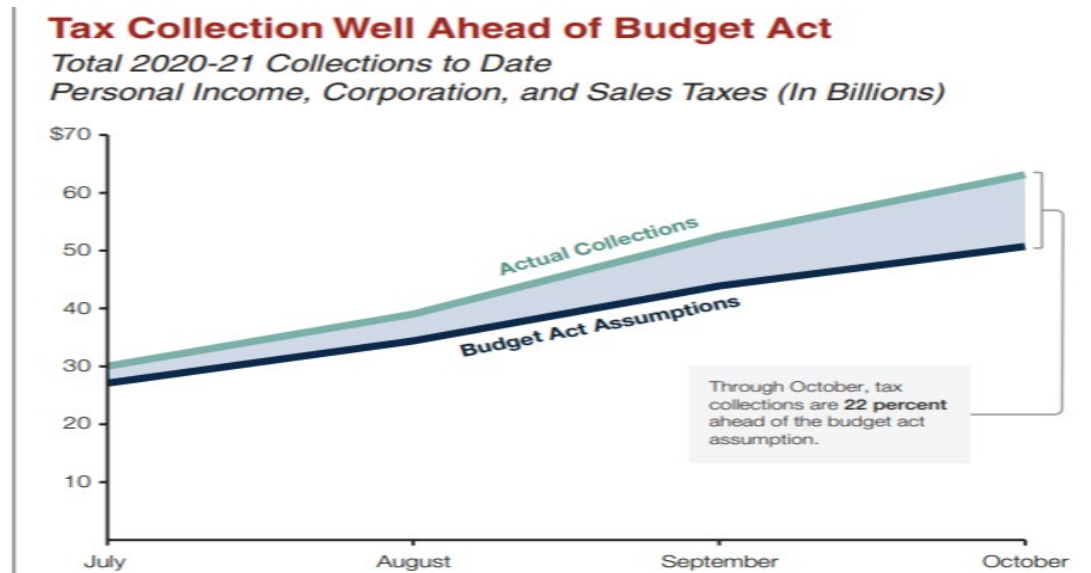- Small growth is expected in the Prop 98 Guarantee in FY 2021-22

Wait…what…how is this possible?

- A few things…
  - Consumer spending has rebounded strong, with October being within 10% of the pre-pandemic level
  - The stock market has recovered all of its losses and is up 62% from its March low – capital gains taxes are flowing

- A few things…
  - The vast majority of the state income tax receipts are paid by higher income individuals; these individuals were much less likely to be laid off and could work from home
    - Unfortunately, this has likely only increased the gap between high and low wage earners.

Tax Collection Well Ahead of Budget Act
Total 2020-21 Collections to Date
Personal Income, Corporation, and Sales Taxes (In Billions)

Actual Collections

Budget Act Assumptions

Through October, tax collections are **22 percent** ahead of the budget act assumption.

July   August   September   October

Legislature has some decisions to make…

- Under the LAO scenario, there is enough one-time funds in FY 2020-21 to reverse all the payment deferrals implemented in June 2020
- Under the LAO scenario, there is enough funding to cover the 1.14% estimated COLA in FY 2021-22
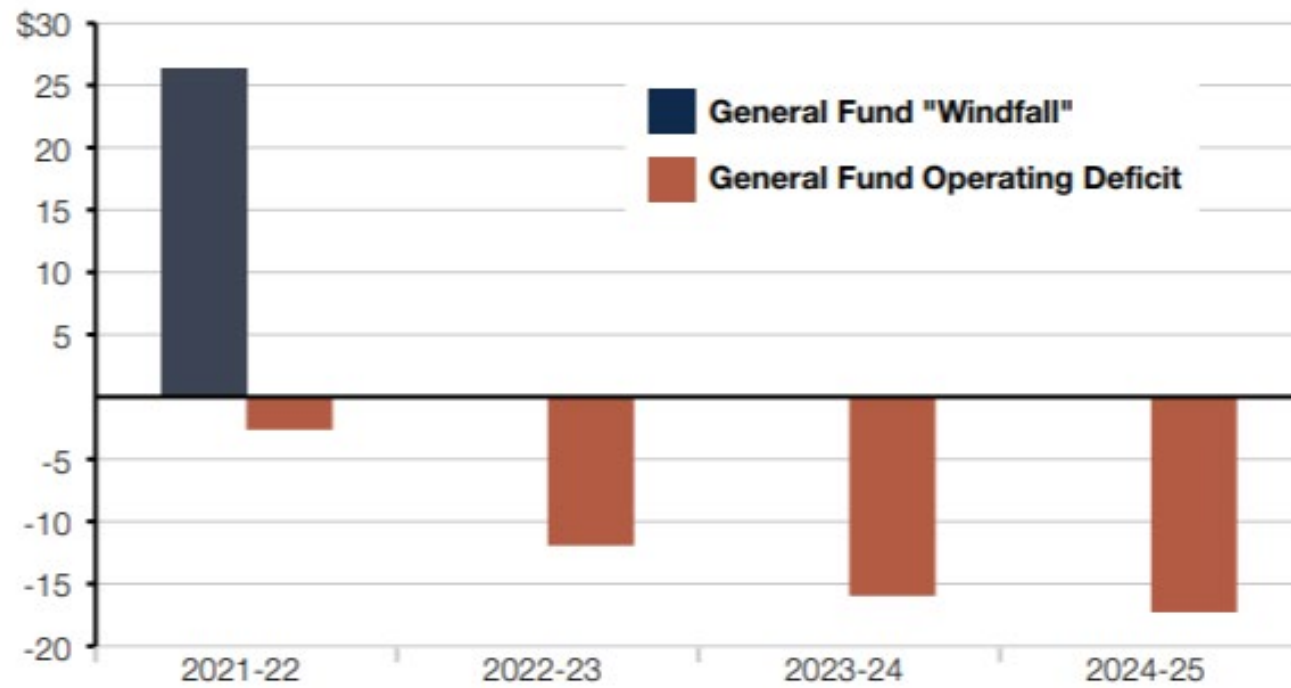- Under the LAO scenario, additional funds could be allocated in either a one-time or ongoing fashion

Trouble still on the horizon…

- While pension costs are not anticipated to grow substantially in FY 2021-22, a sharp rise is projected for FY 2022-23 (projected 2% of pay increase in CalSTRS and 4% of pay increase in CalPERS)
  - Such an increase would far outstrip COLA
- Despite the increased optimism, the LAO is still predicting the State to run deficits during the life of its forecast.

Under Main Forecast,
Operating Deficits Grow Over Multiyear Period
(In Billions)

Questions from PBC?