



DATE: May 18, 2020  
TO: Chabot-Las Positas Community College District  
FROM: Chancellor Ronald Gerhard, CLPCCD  
SUBJECT: Budget Update

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Dear Colleagues:

As I mentioned in Friday's communication, on Thursday, May 14<sup>th</sup>, Governor Newsom presented his May Revision budget proposal for the 2020-21 fiscal year. Now that we have had a few more days to review and digest the information, I wanted to share some additional thoughts on our analysis. As expected, due to the COVID-19 crisis, his proposal is a complete departure from what was presented in January and reflects the economic and employment data we have recently seen from the effects of COVID-19. The May Revision is not set in stone. As occurs every year, changes will be made between now and the final budget. With this understanding, the May Revision is helpful as it will guide our planning moving forward. With this backdrop, significant provisions of the May Revision include:

**Unrestricted General Fund:**

- Extension of hold harmless for two additional years!!!! While this is excellent news, we cannot stop our advocacy until this is signed into the budget bill in August/September. But, let's pause and celebrate for a brief moment!
- Approximately \$1 billion in apportionment deferrals to the entire State system. For us, this equates to approximately \$12 million in deferrals. It is important to note that deferrals are not cuts to our budget but simply delays in the timing in which the State pays us. We welcome deferrals over cuts any day.
- 8% reduction to our unrestricted general fund; a 10.3% cut when factoring-in the loss of the 2020-21 statutory COLA of 2.31%.
- Statewide, \$2.3 billion reallocated from the PERS and STRS employer long-term unfunded liability payment to offset our PERS and STRS rates in 2020-21 and 2021-22. This saves us money as it brings down our required 2020-21 employer contribution rates for PERS from 22.67% to 20.7% and for STRS from 18.41% to 16.15%. Further, this will also decrease the projected 2021-22 rates for PERS and STRS from 25% and 18.2% to 22.84% and 16.02% respectively.
- Allows districts to exclude COVID-19 expenses from the 50% Law calculation.

**Restricted General Fund:**

- Decrease of \$148 million to the State's Strong Workforce categorical program. This equates to an approximate 60% reduction to the program. For our District, this equates to approximately a \$1.0 million reduction.

- Decrease of \$68.8 million to the State's Student Equity and Achievement Program. This equates to an approximate 15% reduction to the program. For our District, this equates to approximately a \$900,000 reduction.
- Decrease of \$7.3 million to the State's Part-Time Faculty Compensation and Office Hours programs and the statewide Academic Senate. This equates to an approximate reduction of 15%. For our District, this equates to approximately a \$50,000 reduction.
- Decrease of \$54.4 million to the State's Adult Education program. This equates to an approximate 43% reduction to the program. For our District, this equates to approximately a \$160,000 reduction.
- Lastly, proposed statute changes would allow the use of restricted fund balances that exist from discretionary fees charged (i.e. parking, instructional materials, etc., excluding lottery funds) to offset losses incurred from COVID-19 as long as those funds are first utilized to mitigate impacts to programs serving underrepresented students and to expand the number of students served in distance education.

**Capital Outlay:**

- The May Revise provides \$223.1 million for 25 new and 15 continuing capital outlay projects under the State's Proposition 51 bond. Our Maintenance and Operations Building project at Chabot College is one of the 25 approved projects.

Lastly, the Governor inserted language that created a caveat to most of these reductions. This caveat stated that should federal funding become available (e.g. HEROES Act) to the State, then most of these proposed cuts will be automatically rescinded and funding restored.

The next steps in the budget process is for adoption of a budget by the both the Assembly and Senate. If there are any line items that differ between the Governor's budget and the budget they each adopt, then those line items will go into the Conference Committee for resolution. It is anticipated that we will have a final State budget by the June 15 legislative deadline. However, the State budget will be revised again this summer once the income tax returns have been filed on July 15. It is anticipated that this "junior" budget bill will come out in August or September.

Any changes to the final State budget or the "junior" budget will be incorporated into our Adopted Budget. Due to anticipated "junior" budget, the Chancellor's Office has extended our reporting deadlines for completion of the Adopted Budget and our year-end financial reports. The Adopted Budget is now due no later than October 31; therefore, rather than taking our Adopted Budget to the Board on September 8, 2020 as planned, we will push approval of the Adopted Budget to the October 20, 2020 Board meeting.

While we are fortunate that we have taken prudent and appropriate fiscal measures that have afforded us to have built a reserve and fund balance, we are preparing various budgetary scenarios so that we can be equipped to respond in a thoughtful and timely manner. While I understand the sharing of this information may be unsettling, I want to thank you for your patience and understanding as we continue to review and assess the impact to our District. But I want to reassure you that we will get through this difficult period together.

Regards,

Ron Gerhard  
Chancellor