



## The Budget Picture Revealed

May 15, 2020

The somber fiscal picture of the State of California presented by Governor Newsom in his May revised budget on Thursday was completely redrawn from the proposed budget he presented in January. Just four months ago, the state's economic outlook was bright. The state had a \$6 billion surplus, 118 consecutive months of job growth pointed to an optimistic future, and the state's "Rainy Day Fund" to protect against a recession had grown to \$16 billion. All that changed abruptly this week.

The unprecedented crisis brought on by the coronavirus pandemic has dramatically altered California's fiscal picture. With residents sheltering in place and closed businesses across California, state revenues have declined by 22.3% since January. Instead of a budget surplus, the state is now facing a \$54.3 billion budget deficit – the largest shortfall in California's history. More than 4.6 million Californians have filed for unemployment since March, and the Governor grimly predicted that California's unemployment rate will peak at more than 24%, a Depression-era level, marking a sharp swing from January, when unemployment was at a record low 3.9%.

The governor spelled out the steps he is planning to take to balance the state's budget, stressing four key values: public education, public health, public safety, and those hit hardest by COVID-19. The steps include drawing down on the state's "Rainy Day Fund" over three years; using a \$524 million Proposition 98 reserve to support education; and using federal stimulus funds from the CARES Act. He also proposed across-the-board cuts throughout state government, including asking for a 10% wage cut for state workers from his office on down. Although community college workers are not state government employees, this illustrates the severity of the budget challenges we are all facing.

The state budget calls for a 10% cut in the Student-Centered Funding Formula, a 15% reduction in the Student Equity and Achievement Program, and a 55% decrease in the Strong Workforce program. Other cuts for community colleges include:

- An \$11.4 million decrease for food pantries, which would now be funded within existing Student Equity and Achievement Program funding.
- A \$5.8 million decrease in support for Dream Resource Liaisons, which would also be funded within Student Equity and Achievement Program funding.

- A \$330.1 million deferral in state revenues to community colleges from 2019-2020 to 2020-2021, and a \$662.1 million revenue deferral from 2020-2021 to 2021-2022.
- Elimination of deferred maintenance and instructional support funds.

In addition, the governor withdrew plans for several important programs he proposed in the January budget including:

- \$15 million for a faculty pilot fellowship program
- \$10 million for part-time faculty office hours
- \$10 million to develop and implement zero-textbook cost degrees
- \$5 million to provide instructional materials for dual enrollment students

Luckily, there is a bit of good news amidst all these cuts. The budget includes continued support for two years of free tuition at community colleges (the Promise Program), and sustains funding levels for most categorical programs, including Educational Opportunity Programs and Services and the Disabled Students Programs and Services Programs. Funding was also preserved for Grossmont and Cuyamaca colleges' capital outlay projects. In addition, the governor redirected funds to reduce the CalSTRS and CalPERS employer rates for 2020-21 and 2021-2022, **which will save our district approximately \$1.8 million each year.**

### **What this all means for OUR DISTRICT**

Based on the dramatic decrease in state and local revenues, we will need to reduce our 2020-21 budget by about 10% next year compared to this year, which equates to approximately \$13 million.

While the cuts from the state are much larger than we were initially anticipating, we have already identified several cost-saving measures to help balance the budget, including:

- Reducing the summer session by 75%
- Freezing or delaying hiring except for all but a few essential positions
- Reducing or eliminating outside contracts
- Developing efficient class schedules
- Reducing temporary workers
- Reducing districtwide expenses
- Freezing our contingency reserve at 6.75%.

Even after these cost saving measures have been taken, significant reductions will need to be identified to mitigate the overall impact on the 2020-21 budget. We will need to carefully examine all our expenses and determine how we can most efficiently use our revenue.

## **Next Steps**

Normally, the Governor's May Revision of the budget would be reviewed by the State Legislature so that a state budget could be approved by June 15. Like everything else this past three months, the budget process this year is not normal. Because income tax filings were delayed until July, the state will not have a full picture of its revenue stream until then. There is talk of a "baby budget" in August that will reflect revised budget numbers.

The full impact of the governor's May revised budget on our District's fiscal situation is being assessed. In the end, we must build a balanced tentative budget for 2020-21 based upon the totality of our revenue reductions and anticipated increased expenses. A tentative budget will be presented to the Governing Board in July, with the final adoption budget to be approved in October.

Most importantly, the Governor stressed that many of these reductions would go away if additional federal funding were provided to the states. We will continue to advocate with our state and federal legislators to provide the funding that community colleges desperately need for continuity of operations and to train the workforce of tomorrow.

## **Working together**

Unexpected budget reductions of this magnitude will affect all of us. It is going to take all of us working together to come through this, never losing sight of our core mission to serve our students.

In the words of Helen Keller, *Alone we can do so little, together we can do so much.*

To learn more about the impact of state cuts on our budget and plans for reopening the campuses, please join me and Sahar Abushaban, Interim Vice Chancellor for Business Services, in a virtual Zoom conversation on Thursday, May 21 at 9 a.m. If you haven't already signed up, please [register now](#) and you will receive a link to log in. I look forward to "seeing" you then!

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Lynn Neault, Ed. D.

Chancellor, Grossmont-Cuyamaca Community College District