

[Click Here for COVID-19 Related Resources](#)

COMMUNITY COLLEGE UPDATE

PUBLICATION DATE: JUNE 1, 2020

Cash Deferrals and Budget Deferrals

 [BY SHEILA G. VICKERS](#)

 [BY ROBERT MCENTIRE, EDD](#)

Copyright 2020 School Services of California, Inc. posted June 30, 2020

We are receiving many questions about the deferrals that are included in the 2020–21 Enacted State Budget—which ones are ongoing or one-time, are they budget deferrals or cash deferrals, can they be triggered off, etc. After combing very carefully through the language in the bills related to the 2020–21 Enacted State Budget that address deferrals, what follows is the result of our analysis.

Cash Deferrals

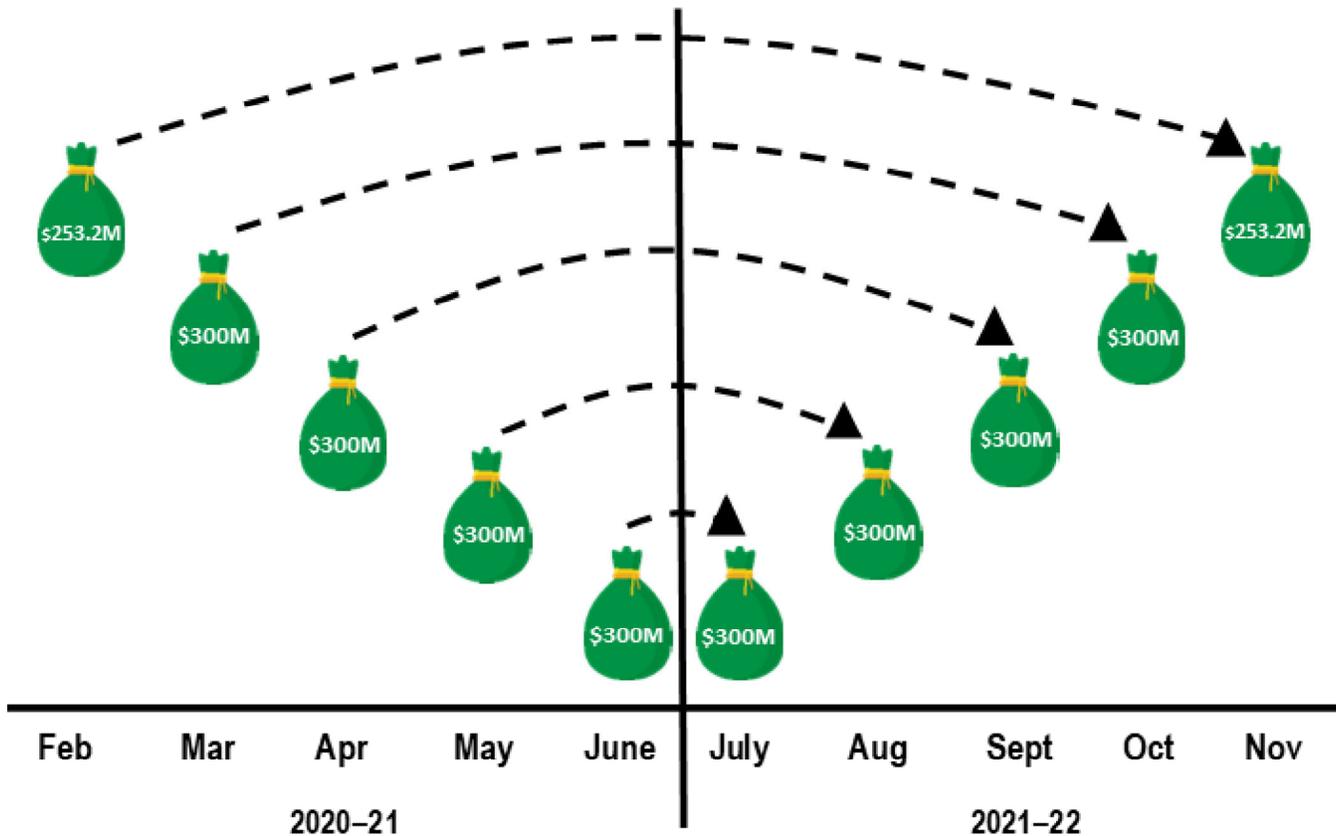
Education Code Section (§) 84320 and the California Code of Regulations § 58770 specify the timing of state apportionment cash to be issued each month during the fiscal year from the state to community colleges, which can be adjusted by the Chancellor’s Office within certain parameters. During difficult financial times the state implements cash deferrals, which are changes in law that delay the regulatory schedule of apportionments. This allows the state to temporarily retain cash for a period of time, usually until sometime in the next fiscal year.

Due to cash deferrals included in the 2020–21 Enacted State Budget, instead of receiving 100% of the state aid from base apportionment revenues during the year, community colleges are slated to receive only about 70% of the state aid during the year—the rest will be received in the following fiscal year. Since cash deferrals cause community colleges to receive their state aid cash much later than normal, the state is placing the burden on community colleges to more closely monitor cash and to borrow funds as needed to cover any cash deficits.

Below is an illustration of the cash deferrals that are planned for 2020–21.

Cash Deferrals 2020–21

(in millions)



All of the above cash deferrals are ongoing, and the time frame of these deferrals stretches all the way from February 2021 to November 2021. If the federal government enacts legislation to provide additional funding by October 15, 2020, up to \$791 million of the deferrals above (starting with the earliest deferrals) can be reduced. This would be effective only for 2020–21 since the funds are anticipated to be one-time.

Based upon the 2019–20 apportionment information, the above deferrals reduce the cash to be received by about 45% in February, by 87% to 90% in the months of March through May, and by about 83% in the month of June. There are provisions that allow for a community college district to apply for an exemption from any of these cash deferrals if the district has exhausted all of its other options and therefore would need an emergency appropriation from the state.

Budget Deferrals

Budget deferrals allow the state to make an entry on its books to reduce the appropriated amount for local school agencies and community colleges under Proposition 98 in one fiscal year, and shift that appropriation to the next fiscal year. This has the effect of reducing expenditures on the state's books in the current year and increasing expenditures in the following year in order to match Proposition 98 expenditures to each year's minimum guarantee and the availability of state resources.

In terms of the impact on local agency finances, there has been much debate in the past regarding whether local agencies can still accrue the revenues on their books—make entries to credit (increase) revenues and debit (increase) accounts receivable—in the current year when the state has recorded the transaction as a cut. See “[Ask SSC . . . Can We Book the P-2 Cash Deferral as Revenue This Year?](#)” in this month’s *Community College Update* for further discussion of this issue.

The community college budget deferrals for the state’s books that are included in the 2020–21 Enacted State Budget are as follows:

Budget Deferrals—Current Year and Budget Year			
Amount	From	To	Comments
\$30.1 million (one-time)	May 2020 (2019–20)	July 2020 (2020–21)	No impact on local agency cash
\$330 million (one-time)	June 2020	July 2020	No impact on local agency cash
\$253.2 million (ongoing)	February 2021	November 2021	Cash deferral equals budget deferral
\$300 million (ongoing)	March 2021	October 2021	Cash deferral equals budget deferral
\$300 million (ongoing)	April 2021	September 2021	Cash deferral equals budget deferral
\$300 million (ongoing)	May 2021	August 2021	Cash deferral equals budget deferral
\$300 million (ongoing)	June 2021 (2020–21)	July 2021 (2021–22)	Cash deferral equals budget deferral

Note that the budget deferrals are not necessarily the same as the cash deferrals in this State Budget—while there were budget deferrals for May and June 2020, there was no impact on local community college cash.

Conclusion

Community college districts should prepare updated multiyear projections based on the provisions in the 2020–21 Enacted State Budget and then prepare cash flow projections for at least the next 18–24 months. The cash flow projections should be analyzed to determine if borrowing is going to be necessary, and if so, the borrowing costs and repayments should be reflected accordingly in the cash

flow projections. These steps are critical in order to ensure adequate cash is available to maintain payroll and programs during all of the deferral months.