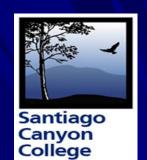




RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT



Orange Education Center Budget Forum

<u>2011-2012</u> Governor's Proposed Budget

March15, 2011

Defined State Budget Gap

- Budget shortfall \$25.4 billion
- Reserves \$1 billion
- Total state budget gap \$26.4 billion
- Over 18 months January 2011 through June 2012
 - Does not include loss of state federal revenues due to federal tax extensions - \$2.7 billion
 - Assumes the sale of state buildings \$1 billon
 Sale now cancelled by Governor

Closing State Budget Gap

Expenditure Reductions - \$12.5 billion
 Revenue Solutions - \$12 billion

- Extend current temporary tax rates for additional 5 years
- Necessitate June Special Election ballot for voter approval

One time accounting shifts - \$1.9 billion
 Total Solutions - \$26.4 billion

<u>Governor's Budget Proposal</u> <u>Disclaimer</u>

The Governor's Budget Proposal is built on the assumption that the voters <u>will approve</u> approximately \$12 billion in revenue solutions

- Therefore, the proposed reduced budgets for the community colleges are dependent on the ballot approval in a proposed June Special Election
- Districts are being advised the Governor's Budget Proposal is the "best deal" we can expect

<u>Governor's Budget Proposal</u> What's included for community <u>colleges</u>

The GoodThe BadThe Ugly

The Good

- No mid –year cuts – 2010-2011
- Current \$126 million in 2010-2011 growth funds are not a target (at this time)
 - 2.21% growth funding in 2011-2012Although paid next year
 - One time Mandated Cost funds was distributed at end of January \$539,000
- No additional state categorical program funding cuts
 - Flexibility extended through 2014-2015

- \$400 million cut for "Apportionment Reductions and Reforms"
 - Reform proposal withdrawn
 - Conference Committee approved as a workload measure apportionment reduction
 Negative growth approximately 5% to 6%
 RSCCD state funding reduction
 estimated \$10 million

Student Fee increase

- From \$26 per unit to \$36 per unit
- Increase of 38%
- Raises additional \$110 million in revenue statewide

Legislature Conference Committee has combined the \$400 million reduction with the growth funds (\$110 million)

- Net reduction of \$290 million
- Best case scenario
 - RSCCD net reduction of <u>\$7.1 million</u>

The \$400 million apportionment reduction to CC's was redirected to K-12 within Prop 98

Reduced the community colleges share of Prop 98 to 11%

- Was above 12% this year
- Mainly due to K-12 enrollment declines

Additional state apportionment deferrals

- Defers additional \$129 million inter-year funding deferral
- RSCCD approximately \$3.2 million not received until October 2012
- Total Community Colleges inter-year deferrals
 \$961 million
 <u>RSCCD = \$25 million</u>
- Total CC intra-year deferrals = \$300 million
 RSCCD = \$7.5 million
- Total CC combined deferrals = \$1.3 billion

Major Cash Flow Issue!

The Ugly

Governor's Budget Proposal is the "best deal" we can expect - Plan A Without June approval of "Revenue" Proposals" Governor will need to resort to Plan B Plan B is a \$26 billion "all cuts" scenario Including Education and Prisons Cut K-12 Education (community colleges included) Release prisoners

The Ugly

Under Plan B Community Colleges can expect state revenue reductions from \$600 million to \$900 million

- Twice the amount of Plan A
- Inclusive of Plan A (not in addition to)
- RSCCD = range of \$15 million to \$20 million
- May cause "consolidations and closures" of colleges and districts – State Chancellor Scott

Triple Play

In order to avoid Plan B, the Governor is said to need the equivalent of a triple play in baseball (rare) in dealing with the Legislature and the voters – high risk strategy

- 1. Convince Democrats to cut essential "safety net" programs and approve June election
- 2. Convince Republicans of the need for June election to raise revenues as partial solution
- 3. Convince the voters to approve Revenue Proposals in June special election

Triple Play

To have a chance to pull off the triple play, the Governor has asked the Legislature to approve the calling for the June Special Election by March 10th

- Extremely short timeline for the Legislature
 Today he acknowledged it will take longer
- Budget Trailer bills will also need to be approved by March 10th
- State Budget Act won't be approved until July
 After the June special election

Budget Planning

We won't know what to expect for our state revenues until after the June election We should know if there will be a June election around March 10th In addition to whatever state funding reductions are finally agreed upon, our district expenditures are still expected to increase in 2011-2012

Budget Planning

Additional district costs in addition to state funding reductions

- Employee health benefits premium increases
 \$1.8 million estimate
- PERS increases approximately \$330,000
- Unemployment Insurance \$1.1 million increase
- Utility costs increases approximately 5%
- Increased costs of goods and services

What's next?

RSCCD Budget Process

 Budget Allocation and Planning Review Committee (BAPR)

Develop budget assumptions based on outcome of March 10th deadline

Two possible scenarios at this time

- Plan A \$7.1 million reduction in state funding
- Plan B \$15 to \$20 million reduction in state funding
- Or Plan C?

Based on Legislatures inability to act on past budgets