



RANCHO SANTIAGO

COMMUNITY COLLEGE DISTRICT



2010-2011
Adopted Budget

Board of Trustees Meeting
October 11, 2010

Outline of presentation

1. State Budget Act
2. RSCCD 2010-2011 Proposed Adopted Budget
3. What's next?

State Budget Act

State Budget Act

- Approved by Legislature in the early morning hours last Friday, October 8
- 100 days into the new fiscal year
 - New record!
- Governor signed budget on Friday afternoon after making \$962 million in blue pencil line item vetoes to various state programs
 - \$366 million reduction to CalWorks
 - \$256 million to reduction to child care programs

State Budget Act

- “It's ‘balanced’ with pie-in-the-sky revenue assumptions, back-door borrowing and Enron-like accounting gimmicks.”

Dan Walters – Sacramento Bee

- “An ugly, temporary answer to California's intractable budget problems.” – L.A. Times

- “This is like déjà vu all over again.”

– Yogi Berra

State Budget Act Balanced? of course not

- Revenues intentionally overstated
 - Waiting for economy to get stronger
- Expenditures intentionally understated
- Accounting tricks, shifts and internal borrowing
- Mostly one time solutions...again
- Estimates of \$10+ billion out of balance as of signing
- State was running out of cash
- Clearly a “get out of town budget” ...

State Budget Balancing Act

- Expect soon after the November 2 elections that some imbalance will be acknowledged
 - LAO report on budget act
 - Number will grow from that point on
- Waiting until new governor and newly elected legislators take office to address the shortfall
 - January 2011
 - Special session will likely be called
- State estimated to run out of cash (again) in March 2011
 - Even based on new budget estimates

State Budget Balancing Act

- K-12 education advisors predict mid year funding reductions to Prop 98
- Advising districts to prepare for them
 - No indication of magnitude
- Legislature may once again pass a mid year temporary budget solution
 - Continuing to wait for economic improvement
 - Continue to push the problem into the following fiscal year
- Additional problem with temporary half cent sales tax expiring in 2011

State Budget

What's included for community colleges?

- Suspends Prop 98 funding guarantee for one year
 - Funding formula would have provided \$4.1 billion more for K-14 education without suspension
 - Concern the door is wide open to make additional mid year reductions to K-14 education in the current fiscal year
 - However, promises repayment of “maintenance of effort” guarantee in future years

State Budget

What's included for CCs

- No Cost of Living Allowance (COLA)
 - No COLA takeaway that was proposed in May Revise
- No student fee increase
 - Remains at \$26 per unit
- Enrollment growth – 2.21%
 - To partially offset 3.39% workload measures reduction (negative growth) in 2009-2010 budget act

State Budget

What's included for CCs?

- \$35 million state backfill of last year's one time ARRA funds to partially restore cuts to state categorical programs
 - Approximately \$940,000 for RSCCD
 - Unsure if one time or ongoing
- \$25 million for Economic Workforce Development
 - Paid in July 2011
- \$20 million more for Career Technology (CTE) programs
 - Paid in July 2011

More state apportionment deferrals

- Additional \$189 million deferral of state apportionment income from spring 2011 to July 2011 (new fiscal year) on top of prior deferrals
 - RSCCD approximately \$4.5 million
 - Additional apportionment deferral from October 2010 to November 2010 – or until state borrows funds
- Deferral mechanism is how state is able to give more funding to education without the additional revenue sources
- Now over 25% of state apportionment funds are provided in the succeeding fiscal year

Apportionment Deferrals vs. Cuts

- State started deferrals in 2003
 - Promised one time only
 - Now ongoing
- Increased use in last two years
- State presents them as either/or option
 - Either take the deferrals
 - Or take the funding cuts
- Monumental cash flow problem

Apportionment Deferrals vs. Cuts

- Dangerous in that districts are expected to spend money on programs and services in a current fiscal year in anticipation that the state supporting revenue will be received in the following fiscal year
 - Funding may not materialize
- At what point does this deferral practice go too far?
 - Legislature seems very comfortable with issuing us IOUs
 - Pushes borrowing costs to districts

Apportionment Deferral vs. Cut

- This tactic delays the inevitable reductions unless the state has the ability to buy back the deferrals
 - Districts take all the risk
- How do you define prudent and responsible budgeting in this environment?
 - Spend it first, hope for it later?
 - Is the state imposing their “smoke and mirrors” practices on districts?

State Budget

- We won't know the budget details for RSCCD for several weeks
 - Budget trailer bill language still being written even though already approved
- Chancellor's Office Budget Workshop scheduled for November 3rd
 - “Blue Book”
 - Includes specific funding levels for categorical programs, property tax collection estimates and student fee collection estimates

RSCCD
2010-2011
Proposed Adopted Budget

Adopted Budget

- Operationally, consider the proposed Adopted Budget to be the “Tentative Budget II”
- Will need to make adjustments once the reality of state budget is acknowledged and acted upon
- Waiting for more detailed information
- Wait and see approach at this time with RSCCD adopted budget
- Sufficient foresight in RSCCD adopted budget to withstand a mid-year reduction in state funding up to approximately \$10 million

Adopted Budget

- The proposed adopted budget is built on state funding levels included in the May Revise
- Does not include changes based on last Friday's enacted State Budget Act
- Includes BAPR committee recommended budget assumptions
- Includes agreed upon modified Budget Allocation Model (BAM)
 - BAM slightly modified to accommodate redistribution of discretionary revenues due to targeted budget reductions

Adopted Budget What's included?

■ Revenue – May Revise

- Negative Cost of Living Allowance (COLA)
 - Negative 0.38%
 - State budget act – no negative COLA
- No enrollment Growth Funding
 - Although current budget act is 2.21% statewide
- No Student (tuition) Fee increase
 - Remains at \$26 per unit

Adopted Budget What's included?

■ Revenue

- Deficit to general apportionment - 3%
 - BAPR Committee recommendation
 - (\$4.5 million)
- Additional Workload measures reduction - 2%
 - BAPR Committee recommendation
 - “negative growth”
 - (\$3 million)

Adopted Budget General Fund combined

- Federal Revenues = \$9,885,271 – 6%
- State Revenues = \$90,639,747 – 57%
- Local Revenues = \$57,761,835 – 37%
 - Property taxes = \$45 million
 - Student fees = \$6.9 million (\$26/unit)
 - Non resident tuition = \$2.6 million
 - Interest earnings = \$455,059
 - \$2.2 million earned in 07/08

Adopted Budget General Fund combined

- Total budget year revenue - \$158,303,353
- Beginning balance (includes reserves) – \$32,190,876
- Combined total revenues - \$190,494,229

Adopted Budget General Fund combined

- Expenditures
- Salaries and benefits - \$135,165,320
 - Over 81% of all district expenses
 - Academic Salaries - \$60,075,029 – 45%
 - Classified Salaries - \$37,663,123 – 28%
 - Employee Benefits - \$37,427,168 – 27%
- Supplies - \$2,802,485
- Services and other operating expense - \$24,629,048
- Equipment - \$2,516,055
- Other transfers - \$2,232,114
- Total budgeted expenditures of \$167,345,022

Adopted Budget What's included?

- Reserves for Economic Uncertainty – 5%
 - \$8,367,251
- Apportionment Deficit – 3%
 - \$4.5 million
- Additional 2% workload measures reduction
 - \$3 million

Adopted Budget

- General fund July 1, 2010, beginning balance - \$32 million
- General fund June 30, 2011, projected ending balance - \$23 million
- Spend down of \$9 million in current proposed adopted budget
 - Assumes all expenditure line item budgets will be spent
 - Includes \$7.5 million in reduced state apportionment due to budget assumptions

What's next?

What's next?

- RSCCD Adopted Budget becomes the operating budget for the district for now
- Wait and see what the state Legislature does about the imbalanced state budget
- Make mid year adjustments as necessary
- We can expect continued apportionment deferrals
 - State may not be able to buy back these cash deferrals for a long time
 - Continuing cash flow concerns

Adopted Budget Recommendation

- Recommend approval of the proposed Adopted Budget, as presented, in order to comply with budget deadline of October 15