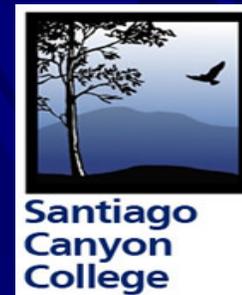




RANCHO SANTIAGO

COMMUNITY COLLEGE DISTRICT



2011-2012
Governor's Proposed Budget
2010-2011 Budget Update

Board of Trustees Meeting
January 18, 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 billion
 - Does not include several pending court decisions

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

Governor's Budget Proposal Disclaimer

- The Governor's Budget Proposal is built on the assumption that the voters will approve approximately \$12 billion in revenue solutions
- Therefore, the proposed reduced budgets for the community colleges are dependant 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

Governor's Budget Proposal What's included for community colleges

- The Good
- The Bad
- The 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 2011-2012
 - One time Mandated Cost funds will be distributed at end of January
- No additional state categorical program funding cuts
 - Flexibility extended through 2014-2015

The Bad

- \$400 million cut for “Apportionment Reductions and Reforms”
 - No details on proposed reforms
 - Modifies FTES census dates
 - Incentivize course completion
 - RSCCD state funding reduction estimated between \$10 - \$11 million
 - However, this will vary by district depending on “course completions”

The Bad

Apportionment Reductions and Reforms

- “reforms to census accounting practices to provide better incentives for maximizing academic course sections available for students seeking vocational certificates and transfer to four-year colleges within the diminished level of funding”
- Workload measures reductions - FTES
 - Negative growth – approximately 7%

The Bad

- 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

The Bad

- Student Fee increase
 - From \$26 per unit to \$36 per unit
 - Increase of 38%
 - Raises additional \$110 million in revenue statewide
- 1.9% “enrollment growth”
 - Uses student fee increase (\$110 million) to fund 1.9% enrollment growth
- No Cost of Living Allowance (COLA)

The Bad

- 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
 - RSCCD = \$25 million
 - 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
- There is no acknowledged current Plan B
 - Other than draconian cuts to all programs
 - Including Education and Prisons
 - Cut K-12 Education
 - Release prisoners

The Ugly

- Under Plan B Community Colleges can expect state revenues 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 – 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 1st
 - Extremely short timeline for the Legislature
 - Budget Proposal expects 2/3 votes to place measure on the June ballot
 - Debate whether can be placed by simple majority
 - Budget Trailer bills will also need to be approved by March 1st
 - State Budget Act won't be approved until July

Accelerated Budget Timeline

- January 10 – Proposed Budget
- January/February – Budget Hearings
- March 1 – “Mini” State Budget enacted
 - Approval of June Special Election
 - Trailer bills
- June – Special Election
 - One item
- July – “Main” State Budget enacted

Budget Planning

- State Chancellor Jack Scott advises districts to prepare for the worst
 - His opinion is that timeline for legislature to act is too accelerated
 - With or without majority vote on budget or 2/3
- Others estimate 20% chance of Plan A going as planned

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 1st
- In addition to whatever state funding reductions are finally agreed upon, our district expenditures are expected to increase in 2011-2012

Budget Planning

- Additional district costs in addition to state funding reductions
 - Employee health benefits premium increases from Blue Cross
 - PERS increases
 - Unemployment Insurance increases
 - Utility costs increases
 - Increased costs of goods and services

What's next?

■ RSCCD Budget Process

- Tentative Budget Preparation Calendar
- Budget Allocation and Planning Review Committee (BAPR)
 - Develop budget assumptions

■ Two possible scenarios at this time

- Plan A
- Plan B