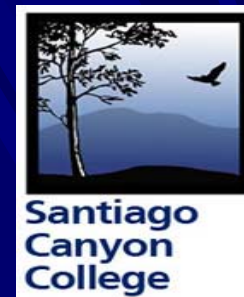




**RANCHO SANTIAGO**

COMMUNITY COLLEGE DISTRICT



# 2011-2012 Budget Update

Board of Trustees Meeting  
December 5, 2011

# State Budget Crisis Latest Information

## ■ Legislative Analyst Office (LAO) California's Fiscal Outlook report

- Report at: <http://www.lao.ca.gov>
- First half of state budget trigger language estimates
- State deficit for 2012-2013 = \$12.8 billion
- State deficit for current fiscal year = \$3.7 billion short of \$4 billion target
  - Both trigger reductions would be implemented
  - 2012-2013 deficit assumes trigger cuts continue into future years
- Five year forecast assumes no COLA's for 5 years for all state agencies

# State Budget Crisis

- Department of Finance (DOF) will project their estimates of current fiscal year by December 15<sup>th</sup>
  - DOF has indicated both triggers likely
  - DOF can predict more expected tax revenues in second half of budget year
  - Expect DOF projections before December 15<sup>th</sup>
  - Governor's Proposed Budget due January 10<sup>th</sup>
- Triggers are based on the higher of the two projections

# State Budget Triggers

## ■ Trigger 0

- at least \$3 of the \$4 billion additional revenue materializes
  - No additional funding cuts

## ■ Trigger 1

- between \$2 and \$3 billion of additional revenue materializes
  - \$30 million apportionment cut to community colleges
  - increase in fees of \$10, from \$36/unit to \$46/unit (July 1, 2012)
  - RSCCD – additional \$900k mid-year funding cut

## ■ Trigger 2

- between \$0 and \$2 billion of additional revenue materializes
  - Trigger 1 cut and fee increase
  - PLUS a \$72 million additional apportionment cut
  - RSCCD – additional \$2 million mid-year funding cut

- Trigger cuts not proportional for community colleges like K-12 cuts

# State Budget

- Governor planning on tax increase ballot measure for November 2012
- So far, four competing tax measures are planned by various groups
- LAO forecasts the Prop 98 minimum funding guarantee possibly increases by \$4 to \$6 billion in 2012-2013
  - Accumulated prior year Prop 98 “maintenance factor”
  - Very unlikely legislature will fund Prop 98 minimum guarantee with continuing state structural deficit of \$10 billion
- LAO suggests in report that state legislature may need to suspend Prop 98 in 2012-2013 to avoid having to fund the calculated increase

# Orange County vs. Sacramento

- 2011-2012 State Budget Act eliminated \$48 million in annual VLF set aside OC has received since bankruptcy for repayment of “bankruptcy bonds”
- On November 10, 2011 OC Supervisor’s direct OC Auditor-Controller to reallocate property taxes according to the amount the County of Orange should receive under Revenue & Taxation Code 97.70
  - Taking back \$73 million in VLF
  - Redirects Educational Revenue Augmentation Funds (ERAF) from schools to the county

# Orange County vs. Sacramento

- Reallocation of Property Taxes
  - \$73 million VLF (ERAF) fees kept by OC
  - VLF fees were used for K-14 property tax revenue (apportionments)
    - “triple flip”
  - Creates shortfall in property taxes for K-14
  - K-12 education has property tax backfill
  - Community colleges do not receive backfill
    - Direct reduction in apportionment revenue
    - Will be applied as a system wide deficit to apportionments
    - Approximately \$12 to \$14 million

# Scheduled Budget Forums

- Last Budget Forum for fall semester
- SCC – December 6<sup>th</sup> – 2:00 to 3:30 p.m.