



2014-2015  
State Budget Update  
May Revision

Board of Trustees Meeting  
May 27, 2014

*The mission of the Rancho Santiago Community College District is to provide quality educational programs and services that address the needs of our diverse students and communities*

# State Budget Update

- Governor Brown released his May Revise for the 2014-2015 budget on May 13<sup>th</sup>
  - State revenues continue to show signs of improvement – over \$2 billion more in revenues
  - State costs and appropriations increase as well
    - Medi-Cal and Obamacare coverage
    - Rainy Day Fund
    - Paydown the “Wall of Debt”
    - CalSTRS unfunded liability
  - Over \$2 billion more in costs
- “Shifts” in forecasts and formulas result in changes to Prop 98 minimum guaranteed funding
- May revision for Community Colleges is slightly reduced from January proposal due to these adjustments

State Budget Update  
Governor's May Revise Budget  
Community Colleges Impact

- No increase to student enrollment fees proposed
- \$140.4 million (2.75%) in growth/access/restoration funding
  - Down from 3% in January
  - RSCCD = approximately \$3.6 million
- COLA (Cost of Living Allowance) - \$47.3 million
  - 0.85% statutory COLA for general purpose apportionments
  - Down from 0.86% in January
  - No COLA proposed for categorical programs
  - RSCCD = approximately \$1.2 million

State Budget Update  
Governor's May Revise Budget  
Community Colleges Impact

- RDA/property tax/student fee/EPA revenue adjustments
  - \$42.5 million partial backfill
  - RSCCD = approximately \$1 million
  - Slightly reduces overall apportionment deficit
- Apportionment Deferrals - \$592.4 million
  - Eliminates (buys back) all community college's apportionment deferrals (IOU's) by the 14/15 budget year
  - RSCCD = \$15.4 million in IOU's
  - Deferral elimination does not provide any additional funds to districts (no new money)
    - pays off entirely the state's apportionment deferrals "Wall of Debt" to the community colleges (and K-12 education)

State Budget Update  
Governor's May Revise Budget  
Community Colleges Impact

- Student Success and Support Program - \$100 million expansion (formerly Matriculation program)
  - RSCCD = approximately \$2.5 million
  - New allocation requires 2:1 Match with unrestricted funds
  - Match = wrong side of 50% Law
- Plus an additional \$100 million for Student Success and Support Program for “Student Equity”
  - “to close achievement gaps in access and achievement in underrepresented student groups, as identified in local Student Equity Plans” and “to better coordinate delivery of existing categorical programs.”
  - RSCCD = \$2.5 million estimate
  - no clarity on how funds are to be distributed to districts

State Budget Update  
Governor's May Revise Budget  
Community Colleges Impact

- Proposes to increase CDCP rates in 2015/16 to the credit rate per FTES
  - Current CDCP rate = \$3,232.07
  - Current credit rate = \$4,564.83
  - RSCCD = Could generate an additional \$8.6 million
- Prop 39 energy efficiency program - \$37.5 million
  - Reduced from 2013-2014 allocation and January proposal
  - RSCCD = approximately \$960,000
  - Slight reduction from current year funding
  - Second year of funding the program

State Budget Update  
Governor's May Revise Budget  
Community Colleges Impact

- **Scheduled Maintenance - \$148 million**
  - RSCCD = approximately \$3.9 million
  - No Match required
  - One time funding
  
- **Instructional Equipment**
  - No funding proposed for 2014-15
  
- **Mandates Block Grant**
  - Reduced funding statewide by \$345,000 to \$29.5 million
  - RSCCD = approximately \$740,000
  - One time funding

State Budget Update  
Governor's Proposed Budget  
Community Colleges Impact

■ CalSTRS Funding Plan

- Proposal to increase employer cost in 2014-2015 from 8.25% to 9.5%
- RSCCD = additional 2014/15 cost approximately \$687,500
- Large increases proposed through 2020-2021 up to 19.1%

■ Adult Education

- No changes in funding until 2015-2016
- Continue \$25 million appropriation to Community Colleges and K-12 districts consortia for planning and implementation grants



# State Budget Process

- LAO reports there will be over \$2 billion more in revenues available in 2014/15 than Governor predicts
- Senate and Assembly sub-committees are utilizing higher state revenue estimates to increase community colleges funding levels by \$246 million
  - Increase COLA from 0.85% to 1.7%
  - Full Time Faculty augmentation \$25 million
    - Converting adjunct to full time
  - Increased funding for Apprenticeship program
  - Increase funding for Scheduled Maintenance/Instructional Materials – 50/50 split

# Good News/Bad News

## ■ Good News

- State economy slowly recovering and providing Prop 98 increased revenues
- Continued temporary tax revenues from Prop 30
- Growth funding provides more access (classes) for students
- COLA provides (low) inflation adjustment
- No student fee increases
- Large investment in student success programs
- Legislature intends to invest even more in the community colleges

# Good News/Bad News

## ■ Bad News

- RSCCD increased expenses far outpace increased new unrestricted revenues
- Majority of funding increases buys down deferrals and provides substantial increases/restorations to categorical programs
- STRS district cost increase with no corresponding increase in funding
- SSSP Program increased funding requires 2 to 1 match
  - State funding increase = \$2.5 million
  - RSCCD match requirements = \$5 million
  - Concern effect on 50% Law compliance

# What's next?

## State Budget Process

- Serious state budget discussions start now
- Negotiations with Governor for budget package
- Legislature has a June 15<sup>th</sup> deadline to enact a state budget to forward to Governor for signature by July 1
  - Governor may blue pencil down some additional augmentations
- RSCCD 2014-15 Tentative Budget will be presented for Board approval on June 9<sup>th</sup>
  - Placeholder budget in order to pay district obligations
- RSCCD 2014-15 proposed Adopted Budget for Board approval at September 8<sup>th</sup> meeting
  - Will include actual enacted state budget act funding authorizations