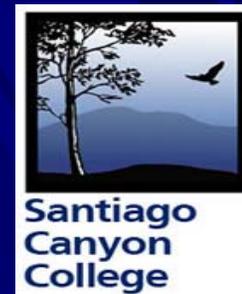




**RANCHO SANTIAGO**

COMMUNITY COLLEGE DISTRICT



Santa Ana College  
2011-2012  
Budget Forum

November 16, 2011

# State Budget Overview

- Approved by the Legislature with majority vote in June
  - Included \$4 billion in additional expected revenues
  - Automatic trigger cuts
    - Trigger 1
    - Trigger 2
- Cuts to community colleges
  - \$400 million cut to base apportionment
  - \$110 million in increased fee revenue
    - Enrollment fee increase from \$26 to \$36/unit
  - \$129 million in new deferrals (IOU's)
- RSCCD state funding reduction of \$7.9 million

# State Budget Overview

- State revenues intentionally overstated in order to approve state budget on simple majority
  - Waiting for economy to get stronger
- State expenditures intentionally understated
  - Many are subject to lawsuits
- More accounting tricks (deferrals), shifts and internal borrowing
- “Suspension” of Proposition 98 minimum funding
  - With simple majority vote?

# State Budget - What's Not Included for CCCs

- No Cost of Living Allowance (COLA)
  - Fourth year in a row without COLA

<u>Fiscal Year</u>	<u>CCC COLA</u>	<u>Statutory</u>
2001-02	3.87	3.87
2002-03	2.00	1.66
2003-04	0.00	1.86
2004-05	2.41	2.41
2005-06	4.23	4.23
2006-07	5.92	5.92
2007-08	4.53	4.53
2008-09	0.00	5.66
2009-10	0.00	5.02
2010-11	0.00	(0.38)
2011-12	0.00	2.24

- No Growth for student classes

# More State Apportionment Deferrals

- Additional \$129 million state-wide deferral (IOU's)
- Total deferrals now at \$961 million for CCCs
- \$24.1 million deferral at year end for RSCCD
- Deferral mechanism is how state is able to maintain same level of funding to education without the additional revenue sources
- Now over 30% of state apportionment funds are provided in the succeeding fiscal year
- Creates monumental cash flow problem for districts every June through end of October

# State Budget Crisis

- Fourth year of state and national recession
  - 08/09, 09/10, 10/11 and 11/12
- State Legislature has not realistically dealt with the state budget crisis
  - Waiting for economy to come around
- When the state collects less revenue subject to Proposition 98 funding guarantees, it automatically reduces funding for K-14 education

# State Budget Crisis

- Proposition 98 (K-14) funding formula
  - Prop 98 entitled to about 45% of state revenues
  - Community colleges entitled to approximately 11% share of Prop 98 revenues
  - RSCCD is approximately 2.5% share of the total California community colleges allocation (FTES basis)
  - For every \$1 billion shortfall in state revenue collections, RSCCD is reduced proportionately
    - Prop 98 entitled to approximately 45% share (\$450 million)
    - Community colleges share approximately 11% (\$49.5 million)
    - RSCCD share approximately 2.5% (\$1.2 million)

# State Budget Crisis

- State Controller's October revenue report released last week
  - Year to date: collections short \$1.5 billion in revenue compared to State Budget Act estimates (which included \$4 billion extra)
  - Also, State has \$1.7 billion more in expenses year to date than budgeted
  - Concern with state short on cash
- DOF Finance Bulletin for November
  - State short \$1.3 billion in year to date revenue

# State Budget Crisis

- LAO California's Fiscal Outlook report just released today
  - Report at: <http://www.lao.ca.gov>
  - First half of trigger language estimates
  - Deficit for 2012-2013 - \$12.8 billion
  - Deficit for current fiscal year - \$3.7 billion short of \$4 billion target
    - Both trigger reductions would be implemented
    - 12/13 deficit assumes trigger cuts continue

# State Budget Crisis

- Department of Finance (DOF) will project their estimates of current fiscal year by December 15<sup>th</sup>
- Triggers are based on the higher of the two projections

# State Budget Triggers

- Automatic as of January 1, 2012
  - Must decide by December 15, 2011
- “chatter” in Sacramento is that Legislature does not want triggers implemented
  - Too onerous on K-12
  - Wants to open budget discussions
    - Wall street credit rating pressures
    - Governor has said no
  - Most likely “kick the can” into 2012-2013 budget process
    - Triggers becomes first cuts in new budget
  - More K-14 apportionment deferrals predicted in current fiscal year due to State cash shortage

# 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

# 2011-2012 RSCCD Budget

- July 1, 2011 beginning balance
  - \$47,079,378
- June 30, 2012 projected ending balance
  - \$38,167,197
- Spend down of beginning balance
  - (\$8.9 million)
  - Assumes all expenditure line item budgets will be spent
    - All authorized positions funded including benefits
  - Does not include potential Trigger 2 reductions of -\$2 million
- If Trigger 2 cuts are included, current year spend down will increase to \$11 million, therefore, the June 30, 2012 ending balance would be approximately \$36 million

# Increase in 2010-2011 Fund Balance

## RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

	Not Included in the budget for FY 2010-11
Workload reduction and deficit	\$ 7,514,795
OEC center 2010-11	1,107,182
OEC center 2009-10	1,107,182
2.21 % growth	3,079,583
Expenditure savings/Vacant positions savings	2,812,277
<b>Total</b>	<b>15,621,019</b>
Beginning balance 7/1/2010	32,190,876
Ending balance 6/30/2011	\$ 47,811,895
2010-11 Second Principal Apportionment 6/17/11 Deficit	(732,517)
<b>Ending balance for 6/30/2011 on 9/7/2011</b>	<b>\$ 47,079,378</b>

# RSCCD Budget

- Ending/beginning balance is being used to avoid additional reductions over the next two to three years
  - Hopefully until state economy begins to recover
- Beginning fund balance is one time money
  - Cannot be used for ongoing costs
- Without spending down of beginning balance, in excess of 5% reserve, we would need to make additional budget cuts
- Multi-year projections demonstrate this

# Assumptions for Multi-Year Projection

- Revenue - \$0 new revenue
  - Growth – 0%
  - COLA – 0%
  - Assumes no additional workload reductions
    - Negative growth
  - Assumes no “triggers”
- Expenditures - \$3 to \$5 million in additional cost
  - Step and Column movement
  - Known PERS employer rate increases
  - Health Benefits Premium increase (District cost) - 10% per year
  - Utilities cost increase – 3% per year

# Unrestricted General Fund Multi-Year Projection

	2011-2012 Adopted <u>Budget</u>	2012-2013 Projected <u>Budget</u>	2013-2014 Projected <u>Budget</u>	2014-2015 Projected <u>Budget</u>
<b>Multi-Year Projection:</b>				
<b>Beginning Balance</b>	<b>\$46,510,630</b>	<b>\$38,163,936</b>	<b>\$25,485,673</b>	<b>\$8,650,572</b>
<b>Total Revenue</b>	<b>135,502,156</b>	<b>135,502,156</b>	<b>135,502,156</b>	<b>135,502,156</b>
<b>Total Expenditure</b>	<b><u>143,848,850</u></b>	<b><u>148,180,419</u></b>	<b><u>152,337,257</u></b>	<b><u>156,738,673</u></b>
<b>Surplus/ (Deficit)</b>	<b>(8,346,694)</b>	<b>(12,678,263)</b>	<b>(16,835,101)</b>	<b>(21,236,517)</b>
<b>Ending Balance</b>	<b><u>\$38,163,936</u></b>	<b><u>\$25,485,673</u></b>	<b><u>\$8,650,572</u></b>	<b><u>(\$12,585,945)</u></b>

# Risks and Concerns

- Imbalanced state budget
  - DOF and LAO must determine by December 15, 2011 whether Trigger 1 and/or Trigger 2 must be implemented
- Trigger 1
  - Student enrollment fee increase from \$36 to \$46
    - Delayed until July 1, 2012
- Trigger 2
  - Additional state funding reductions
  - As workload measures (negative growth)
- Mid-year expenditure adjustments and reductions very difficult
- Managing FTES generation very important in a period of workload measure reductions (negative growth)

## Risks and Concerns

- We can expect continued apportionment deferrals (IOU's) if state needs to make additional reductions to Prop 98
  - State may not be able to buy back these cash deferrals for a long time
  - Continuing cash flow concerns
- Spending down ending fund balance
  - Provides needed cash flow for state IOU's
  - Won't last forever...

Questions?