



RANCHO SANTIAGO

COMMUNITY COLLEGE DISTRICT



Orange Education Center
Budget Forum

2011-2012

Governor's Proposed Budget

March 15, 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
 - Sale now cancelled by Governor

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
 - Although paid next year
 - One time Mandated Cost funds was distributed at end of January \$539,000
- No additional state categorical program funding cuts
 - Flexibility extended through 2014-2015

The Bad

- \$400 million cut for “Apportionment Reductions and Reforms”
 - Reform proposal withdrawn
 - Conference Committee approved as a workload measure apportionment reduction
 - Negative growth – approximately 5% to 6%
 - RSCCD state funding reduction
 - estimated \$10 million

The Bad

- Student Fee increase
 - From \$26 per unit to \$36 per unit
 - Increase of 38%
 - Raises additional \$110 million in revenue statewide
- Legislature Conference Committee has combined the \$400 million reduction with the growth funds (\$110 million)
 - Net reduction of \$290 million
- Best case scenario
 - RSCCD net reduction of \$7.1 million

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

- 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
- Plan B is a \$26 billion "all cuts" scenario
 - Including Education and Prisons
 - Cut K-12 Education (community colleges included)
 - Release prisoners

The Ugly

- Under Plan B Community Colleges can expect state revenue 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 – State 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 10th
 - Extremely short timeline for the Legislature
 - Today he acknowledged it will take longer
 - Budget Trailer bills will also need to be approved by March 10th
 - State Budget Act won't be approved until July
 - After the June special election

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 10th
- In addition to whatever state funding reductions are finally agreed upon, our district expenditures are still expected to increase in 2011-2012

Budget Planning

- Additional district costs in addition to state funding reductions
 - Employee health benefits premium increases
 - \$1.8 million estimate
 - PERS increases – approximately \$330,000
 - Unemployment Insurance - \$1.1 million increase
 - Utility costs increases – approximately 5%
 - Increased costs of goods and services

What's next?

■ RSCCD Budget Process

- Budget Allocation and Planning Review Committee (BAPR)

- Develop budget assumptions based on outcome of March 10th deadline

■ Two possible scenarios at this time

- Plan A - \$7.1 million reduction in state funding

- Plan B - \$15 to \$20 million reduction in state funding

■ Or Plan C?

- Based on Legislatures inability to act on past budgets