



# 2011-2012 Budget Update

Board of Trustees Meeting  
August 22, 2011

1. State Budget Update
  - Latest information
2. RSCCD Proposed Adopted Budget highlights

# State Budget Update

## What's new?

- Chancellor's Office Budget Workshop
  - “Blue Book”
    - Details on apportionments
    - Workload measures
      - Apportionment reductions
      - Reduced funded FTES targets
      - Categorical program entitlements
      - Trigger 1 and Trigger 2 scenarios
- So far, state revenue collections are well below estimates
  - Economy sluggish
  - Bad sign for chances of collecting additional \$4 billion in revenue dependent on holding off “trigger” cuts

# State Budget Update Community Colleges

- Net \$290 million reduction in state apportionment funding
  - RSCCD – (\$7,961,366)
  - 6.21% workload (FTES) reduction (negative growth)
- Increases student fees from \$26 to \$36 per unit
- Student fee collection shortfall acknowledged to be \$25 million statewide in 2011/2012
  - Estimate additional RSCCD funding reduction of approximately \$800,000
    - Unique to each district dependent on BOG waivers
  - Will be applied as general apportionment deficit

# State Budget Update

- Mid-year funding cut tiers or “triggers” if certain levels of additional \$4 billion in revenue doesn’t materialize
  - Trigger 1 and Trigger 2
  - Automatic as of January 1, 2012
  - Based on lower assessment of DOF or LAO
- Additional apportionment cash deferrals
  - Year end state apportionment deferrals (IOU)
  - RSCCD = \$24,091,280 as of June 30, 2012
    - 30.7% of total state general apportionment

# State Budget Update

## Mid-Year Triggers

### ■ Trigger 0

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

### ■ Trigger 1

- between \$2 and \$3 billion of revenue materializes: \$30 million apportionment cut, backfilled by an increase in fees of \$10, from \$36/unit to \$46/unit (January 1, 2012)

- RSCCD – additional \$763,070 funding cut

### ■ Trigger 2

- between \$0 and \$2 billion of new revenue materializes: Trigger 1 cut and fee increase PLUS a \$72 million additional apportionment cut

- RSCCD – additional \$1,831,368 funding cut

- Combined = \$2,594,438 mid-year funding cut



# Will the Triggers be pulled?

- CCLC has advised district's to prepare for Trigger 2 mid-year funding reductions
- State Chancellor's Office is not providing any advice or direction for districts
  - Each district has unique set of circumstances
- K-12 districts are being advised to prepare for Trigger 2 reductions
  - Seven days less instructional school year
- Prudent to at least prepare for Trigger 1
  - RSCCD recommendation in Budget Assumptions

# What is included in RSCCD Proposed Adopted Budget?

- Workload measures funding reduction
  - \$7,961,366 apportionment reduction
    - Partially offset by \$7.5 million reduction already budgeted last year
  - 6.21% reduction in funded FTES (1,893.61)
- Employee health benefit cost increases, Unemployment Insurance increases, PERS increases
  - Approximately \$2.5 million in additional ongoing costs



# RSCCD Budget

- Therefore, additional \$3.5 million in ongoing cost reductions are necessary for Proposed Adopted Budget
  - \$2.5 million for additional new ongoing expenditures
  - \$1.0 million in anticipation of Trigger 1 mid-year reduction

# RSCCD Budget

- Campuses/Centers and District Operations have identified the required \$3.5 million in additional reductions for the Proposed Adopted Budget
  - Santa Ana College - \$2,005,500
    - 57.30% share of combined fixed/discretionary costs
  - Santiago Canyon College - \$917,700
    - 26.22% share of combined fixed/discretionary costs
  - District Operations - \$576,800
    - 16.48% share of combined fixed/discretionary costs

# 2010-2011 Ending Fund Balance

- Approximately \$46 million as of June 30, 2011
  - June 30, 2010 - \$32 million
- Increase of approximately \$14 million
  - \$7.5 million budgeted expected mid-year reduction that didn't materialize
  - \$3.1 million - funded 2.21% growth
  - \$2.2 million - two years OEC center funding
  - Approximately \$1.2 million in cost savings primarily due to funded vacant positions
- Ending balance funds are **one time** funds
  - Proposed Adopted Budget spends down approximately \$7 million (estimate)
  - Trigger 2 implementation will spend down an additional \$1.8 million

# Ongoing Concerns

- State and National economies not performing to state revenue expectations
- If Trigger 2 is implemented
  - An additional reduction in RSCCD state funding
  - Additional \$1.8 million mid-year reduction
  - Further encroachment on ending balance
  - Too soon to tell...
- Cash deferral concerns
  - \$24 million as of June 30, 2012
  - Additional new deferrals?
- Additional Prop 98 tinkering?

# Proposed Adopted Budget Timeline

- Adopted Budget Assumptions recommendations
  - On tonight's docket for approval
  - Includes anticipated Trigger 1 reductions
- Proposed Adopted Budget approval
  - September 12<sup>th</sup> Board meeting
  - September 15<sup>th</sup> Adopted Budget due date