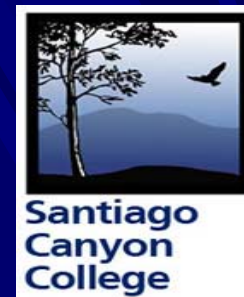




**RANCHO SANTIAGO**

COMMUNITY COLLEGE DISTRICT



# 2011-2012 Budget Update

Board of Trustees Meeting  
April 2, 2012

# Current Fiscal Year Review

1. 2011-2012 enacted State Budget cut community college funding by \$400 million with an expected \$110 million of fee increase revenue to partially offset.
    - RSCCD impact = \$7.9 million in reduced funding
    - Workload measure reduction of 6.2% (negative growth)
  2. Trigger's 1 & 2 were “pulled” in January 2012
    - \$102 million combined reduction in state funding
    - RSCCD impact = \$2.6 million in reduced funding
      - 1.4% workload measure reduction
  3. “February Surprise”
    - Additional \$149 million in funding reduction
    - RSCCD impact \$3.7 million
- Combined year to date state funding reduction for RSCCD = \$14.2 million

# February Surprise – P1

- Statewide student fee shortfall
  - \$107 million statewide
  - Due to higher BOG fee waiver participation
- Statewide property tax shortfall
  - Includes Orange County property tax shift
  - \$41 million statewide
- Additional \$1 million in “miscellaneous” adjustments
- Total = \$149 million statewide apportionment deficit at P1 – historic 3.4% (\$4.4 million)
  - RSCCD net impact = \$3.7 million

# Current Year Funding Cuts

- RSCCD 2011-2012 Adopted Budget did not include trigger cuts nor any “February Surprise”
  - Did anticipate a small fee shortfall (\$1.4 million) and property tax shortfall (\$1.3 million)
- The January budget trigger reductions and the “February Surprise” state funding reductions will be absorbed by further spending down of the RSCCD general fund beginning fund balance

# More possible bad news?

- Legislative Analyst Office (LAO) disagrees with Governor's current year and budget proposal revenue projections
  - LAO estimates revenues in 2011-2012 and 2012-2013 fiscal years will be \$6.5 billion less than Governor's estimates
    - \$3 billion in current year
    - \$3.5 billion in budget year
    - Primarily from projected capital gains taxes
      - Facebook and other technology IPO's
  - Further reduces Prop 98 minimum funding guarantee
    - RSCCD - current year = loss of \$3.7 million
    - RSCCD - budget year = loss of \$4.3 million

## More possible bad news?

- Another real threat to community college funding in the current fiscal year is the Governor's intent to deduct \$147 million in current apportionment funds because he assumes that the wind down of Redevelopment Agencies (RDA) statewide will provide K-14 education with \$1.4 billion in additional local property taxes
  - RDA unallocated funds will most likely not materialize to this extent
  - K-12 has property tax backfill (held harmless)
  - Community College's do not have property tax backfill
  - RSCCD impact = \$3.7 million reduction in current year apportionment funding

## To make matters worse...

- Assembly Speaker introduced AB 1585
  - Reallocates \$1.4 billion from education to RDA's (successor agencies) for low/moderate income housing
  - Would let successor agencies keep the \$1.4 billion in redevelopment money for affordable housing, instead of distributing it to schools
  - Approved by Assembly: 56-7
  - Now moves to Senate for their vote

# What's next?

## ■ May Revision

- Expect “rosy” revenue and expenditure projections allowing the Governor and Legislature to buy more time
  - Most likely include a trigger mechanism if tax measure doesn't pass
- Waiting until after November elections
  - Governor's compromise tax initiative
  - Substantial cost reductions even if taxes pass
  - Continued hope that the economy will improve

- No indication if state will backfill all fee shortfalls (\$26 to \$36, additional BOG fee waivers, \$36 to \$46, and those additional BOG fee waivers) and all property tax shortfalls (OC shift, RDA shift and overall shortfall) in new budget year