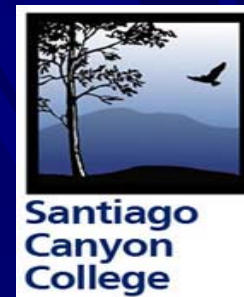




RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT



Santiago Canyon College
2011-2012
Budget Forum

December 6, 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
 - Redevelopment Agencies, MediCal, Education Coalition
- More accounting tricks (deferrals), shifts and internal borrowing
- “Suspension” of Proposition 98 minimum funding
 - With simple majority vote?
 - Underfunded by \$2.1 billion

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
 - cuts vs. deferrals
- 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
 - No predictable end in sight – 3 to 5 years?
- 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 Latest Information

- State Controller's October monthly revenue/expenditure report released
 - 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
- Department of Finance (DOF) Finance Bulletin for November
 - State short \$1.3 billion in year to date revenue

State Budget Crisis Latest Information

■ Legislative Analyst Office (LAO) California's Fiscal Outlook report

- Report at: <http://www.lao.ca.gov>
- First half of state budget trigger language estimates
- State deficit for 2012-2013 = \$12.8 billion
- State deficit for current fiscal year = \$3.7 billion short of \$4 billion target
 - Both trigger reductions would be implemented
 - 2012-2013 deficit assumes trigger cuts continue into future years
- Five year forecast assumes no COLA's for 5 years for all state agencies

State Budget Crisis

- Department of Finance (DOF) will project their estimates of current fiscal year by December 15th
 - DOF has indicated both triggers likely
 - DOF can predict more expected tax revenues in second half of budget year
 - Expect DOF projections before December 15th
 - Governor's Proposed Budget due January 10th
- Triggers are based on the higher of the two projections

State Budget Triggers

- Automatic as of January 1, 2012
- “chatter” in Sacramento is that Legislature does not want triggers implemented
 - Trigger 2 too onerous on K-12
 - Shortens school year up to 7 days
 - Not possible to implement
 - Wants to open budget discussions
 - Wall Street credit rating pressures
 - Governor has said no to re-opening budget
 - Assembly Speaker Perez quoted last week that triggers won't be revisited by Legislature

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

- Trigger cuts not proportional for community colleges like K-12 cuts

Orange County vs. Sacramento

- 2011-2012 State Budget Act eliminated \$48 million in annual VLF set aside OC has received since bankruptcy for repayment of “bankruptcy bonds”
- On November 10, 2011 OC Supervisor’s direct OC Auditor-Controller to reallocate property taxes according to the amount the County of Orange should receive under Revenue & Taxation Code 97.70
 - Taking back \$73 million in VLF
 - Redirects Educational Revenue Augmentation Funds (ERAF) from schools to the county

Orange County vs. Sacramento

- Reallocation of Property Taxes
 - \$73 million VLF (ERAF) fees kept by OC
 - VLF fees were used for K-14 property tax revenue (apportionments)
 - “triple flip”
 - Creates shortfall in property taxes for K-14
 - K-12 education has property tax backfill
 - Community colleges do not receive backfill
 - Direct reduction in apportionment revenue
 - Will be applied as a system wide deficit to apportionments
 - Approximately \$12 to \$14 million

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 implemented, 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
Total	15,621,019
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)
Ending balance for 6/30/2011 on 9/7/2011	\$ 47,079,378

RSCCD Budget

- Ending/beginning balance is being used to delay/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 as soon as possible
- Multi-year projections demonstrate how quickly deficit spending will eliminate the ending balance

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

RSCCD Budget Allocation Model (BAM)

- Developed originally in 1998-1999
- Budget Allocation and Planning Resource (BAPR) Committee formed
 - Meets almost monthly
 - BAPR Workgroup works on more technical issues
 - District Enrollment Management Committee (DEMC) reviews and recommends enrollment/FTES targets to BAPR
- BAM acknowledges “fixed costs” as first priority funding

RSCCD Budget Allocation Model

- Fixed Costs – “expenditures that must be met independent of revenue production in any fiscal year”
- Unallocated funds (after fixed costs are budgeted) are considered “Discretionary”
 - Distributed based on campuses projected target FTES with District Office Operations receiving 16.48% for centralized services

RSCCD Budget Allocation Model

■ Discretionary Costs

- “costs that may be affected by the production of FTES in a given fiscal year;”
- “costs that an operational unit within the district has control or discretion over”

RSCCD Budget Allocation Model

- District Office costs include:
 - District wide cost of IT services
 - District wide cost of Safety/Security
 - District wide cost of Publications
- BAPR recommends Budget Assumptions to Chancellor
- Chancellor reviews and recommends to Board of Trustees

Questions?