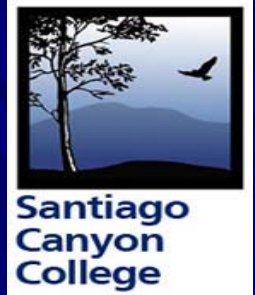




RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT



2010-2011 and 2011-2012
May Revise Budget Update

Board of Trustees Meeting
May 23, 2011

May Revise

- Governor presented May Revise on May 16th
 - Revision to his January proposal
 - It's not an all cuts budget, as threatened
 - Does not suspend Prop 98
 - Foresees a “modest drawn out recovery” for the California economy
- Budget shortfall now \$10.8 billion
- Increased state revenues are helping
 - \$2.5 billion more for 2010-2011
 - \$6.6 billion more for 2011-2012
 - Or are they?
- Still needs \$9.4 billion in tax extensions

May Revise

- -\$26.6 billion gap identified in January budget proposal
- +\$14 billion in cuts and other solutions approved in March
- -\$0.6 billion in erosions of March package (due to implementation delays)
- -\$1.0 billion due to Proposition 10 litigation
- +\$6.6 billion in new GF revenues identified in May Revision
- -\$2 billion in higher spending
- -\$1.2 billion for a budget reserve
- = \$10.8 billion shortfall

May Revise

- New tax extension proposal includes VLF, CIT, Sales taxes as of July 1, 2011
- Tax extensions proposal does not include personal income tax (PIT) extensions in current calendar year
 - Retroactive to January 1, 2011, a problem
 - Although final budget deal may include PIT, tax extension may take affect on January 1, 2012
- Tax extensions still require voter approval (referendum) per Governor

May Revise

- “Wall of Debt”
 - State horribly in debt - \$34.7 billion
 - Must buy down debt with increased revenues to relieve state general fund burden
 - Buying down debt does not provide more funds for K-14 education
 - No new money
 - Only helps the state buy back its IOUs
- Priority for buying down debt will mean three years or more until funds are available to begin to reinstate class offerings and program reductions
- LAO calls debt reduction “laudable”

“Wall of Debt”

- Not all state debt is proposed to be repaid
- Budgetary borrowing - \$34.7 billion
 - K-14 deferred payments, Economic Recovery Bonds, repayment of internal loans from special funds, underfunding of Prop 98 and more
- Governor’s “wall of debt” proposal doesn’t include
 - Authorized unsold bonds debt - \$48.2 billion
 - Bonds sold and owed - \$81.1 billion
 - State employee unfunded liabilities - priceless...

Proposition 98 funding

- No suspension proposed
- With \$6.6 billion more in state revenues
Prop 98 minimum funding guarantee
increases proportionately
 - K-14 Prop 98 minimum funding guarantee
increased by approximately \$3 billion
 - Community colleges share of increased
revenues = \$350 million
 - 11% share of Prop 98
 - RSCCD = approximately \$8.7 million

May Revise

- Governor proposes to use all of the \$3 billion in additional Prop 98 revenue to partially pay off state deferrals to K-14 education and to partially buy down “wall of debt”
 - Cash flow issue only
 - No additional funds available to help districts
- Debt buy back may be a “placeholder” strategy for additional reductions if tax extensions not approved

May Revise Community Colleges

- Affirms \$290 million workload measures reduction to apportionments (SB70)
 - 6% reduction in funded FTES workload
 - Negative growth
 - RSCCD = \$7.2 million loss
- Affirms student fee increase from \$26 to \$36 per credit unit

May Revise Community Colleges

- Reduces community colleges' \$961 million year-end deferrals by \$350 million to \$611 million
 - RSCCD = from approximately \$25 million in deferrals to approximately \$16.2 million in deferrals
- Good news!
 - No additional cuts proposed
 - No policy reforms proposed

What's next?

- Estimates are that the final state budget will be somewhere between Plan A and Plan B
 - Plan A - \$7.2 million reduction for RSCCD
 - Plan B - \$12 million reduction for RSCCD
- Plan C (all cuts budget) is no longer considered in play
- If tax extensions are approved, then Plan A remains in operation
- If tax extensions don't occur, then "wall of debt" buy down is off the table

What's next?

- Estimate a new Plan B with new tax revenues (\$6.6 billion) and higher Prop 98 minimum funding guarantee and no tax extensions
 - State would use the \$350 million debt repayment ‘placeholder’ to possibly offset additional cuts
- New Plan B = net loss of \$490 million to community colleges
 - Same funding level as old Plan B
 - RSCCD = approximately \$12 million

What's next?

- June state budget?
 - Unlikely unless 2/3 majority for tax extensions
 - Or is there a deal?
- September/October state budget?
 - Without tax extensions - more likely scenario because state may run out of cash in that time period
- 2011-2012 Tentative Budget approval at June 20th Board of Trustees meeting