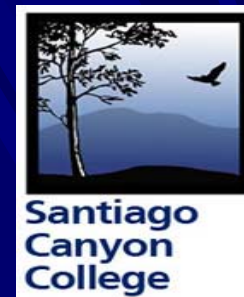




RANCHO SANTIAGO

COMMUNITY COLLEGE DISTRICT



2011-2012
2012-2013 Governor's Budget
Proposal
Budget Update

Board of Trustees Meeting
January 17, 2012

1. 2011-2012 Current Fiscal Year Budget
2. 2012-2013 Governor's Proposed Budget

Current Fiscal Year

- Trigger's 1 & 2 have been “pulled”
 - DOF and LAO agreed tax revenues below budget act estimates
 - Worst case scenario
- Student fee increased from \$36 to \$46 per credit unit
 - To be implemented July 1, 2012
- Mid-year state apportionment reductions
 - Immediate loss of \$2.6 million to RSCCD
 - Workload measure reduction of 1.4%
 - Negative growth
 - Not built into the RSCCD budget
 - Will erode ending balance by \$2.6 million
 - Necessitates additional reductions in expenditures beginning with the 2012-2013 Tentative Budget (July 1, 2012)
 - Ongoing base funding reductions, not one-time

Current Fiscal Year

- Also, recent current year RSCCD negotiated settlements with bargaining units will increase spending by approximately \$3 million in current fiscal year and beyond
 - Further spend down of the beginning balance
- Will necessitate approximately an additional \$3 million in cost reductions in next fiscal year
- Partially offset with any savings from current hiring freeze
- Combined with state apportionment reductions = \$5.6 million in additional ongoing reductions necessary in the Tentative Budget

Governor's Budget Proposal

- Released on January 5th
 - Several days earlier than expected
- \$9.2 billion budget shortfall for 2012-2013 fiscal year
 - \$4 billion in current year
 - \$5 billion in budget year
- Two possible state budget scenarios
 - Rosy (tax increases are to be approved in the November 2012 election)
 - Bleak (tax increases are not approved)
 - Budget will include automatic trigger to cut education \$4.8 billion if tax measure doesn't pass

Governor's Budget Proposal

- Good News – Rosy (taxes pass)
 - No additional state funding for CC's
 - No additional reductions in state funding
 - Buys back approximately 20% of deferrals
 - \$218 million
- Bad News – Bleak (taxes don't pass)
 - Deferral buyback disappears
 - Additional \$2.4 billion reduction to Prop 98
 - Shift of statewide annual facilities bond payments to K-14
 - CC's share = \$264 million
 - RSCCD share - \$6.6 million loss of state apportionment funding
 - Additional workload measures reduction of 5.56%

Governor's Budget Proposal

- District's are verbally advised by State Chancellor's Office to prepare for the worst case scenario - taxes won't pass
 - November 6, 2012 election date
 - Inability to make sizable reductions to adopted budget at midyear
 - Compels districts to make cuts now and hope to reinstate cuts after (if) taxes pass
 - Catch 22 situation
- All K-12 districts are being advised the same

RSCCD Budget Impact

■ Best case scenario

- No further reductions in state funding
- Buyback a portion of deferrals – approximately \$5 million
- Additional expenditure increases – approximately \$5.6 million plus

■ Worst case scenario

- No partial buyback of deferrals
- State apportionment reduction of \$6.6 million
 - Workload measures reduction of 5.56%
- Additional expenditure increases - \$5.6 million
- Combined necessary reductions to next year's Tentative Budget = \$12.2 million plus

Waiting Game

- Governor's Budget Proposal is just that ...a proposal to start discussions
- Final budget in June will likely be entirely different than the Proposal
- Legislature waiting for May Revise in hopes that economy is improving
 - Betting big that several “.com” IPO's will generate huge windfalls in state income and capital gains taxes (another .com bust?)
 - Overall state economy lagging expectations

Waiting Game

- Governor is gambling big that his November 2012 tax initiative passes
 - Several competing tax initiatives
 - Several state-wide bond initiatives
 - Several local bond/parcel tax initiatives
- If Governor's tax measure fails
 - Armageddon of cuts to education, courts, fire protection, water resources and parks and Department of Justice
 - Similar to last year?...