2010-2011 Budget Update

Board of Trustees Meeting
September 27, 2010
Adopted Budget Status
Where are we?

- Normally present proposed Adopted Budget to the Board of Trustees at the first meeting in September
- Last three years have not been normal
- Delay due to lack of enacted State Budget to define state support funding for Prop 98 and community colleges’ share
Adopted Budget Status
Where are we?

- Extended adoption of RSCCD Budget from September 27th Board of Trustees meeting to October 11th meeting
  - No State Budget Act
  - State Chancellor’s Office granted a 30 day extension of time for all districts - to October 15th
- September 27th (tonight's) RSCCD Board Meeting
  - Public Notice of Public Hearing
  - Share latest information from Sacramento
  - “Preview” of proposed Adopted Budget
Adopted Budget Status

Unique situation in that the RSCCD Adopted Budget this year could be considered the Tentative Budget II (TB II)

- No State Budget Act
- No indication of what RSCCD state funding eventually will look like
- There will be changes to the RSCCD Adopted Budget once a State Budget is finally enacted
- TB II is a “placeholder” budget
Adopted Budget Status

What’s the hurry?
– Required by Title 5 Regulations

What’s the penalty?
– Withholding of state apportionment payments
  They are already doing that…
  Without a State Budget community colleges cannot receive their apportionment payments

Primarily to finalize and report prior year information (CCFS-311 report) and procedurally have a budget in place for operational needs
Still no approved State Budget

Record tardy State Budget
- Today is day 89 past July 1\textsuperscript{st}
- New record (September 23\textsuperscript{rd} old record)
- Doesn’t appear there's urgency yet to pass one

Big 5 claim it’s close (as of last Friday)
- Agreement on “framework”
- “Framework” doesn’t mean it’s a done deal

No proposal to increase student tuition fees in any proposal at this time
- Only Legislative Analyst recommends to increase to $40 per unit
Status of State Budget

- No information or indication of level of funding for Prop 98 and the community colleges share

- Prop 98 split
  - K-12 vs. community colleges
  - CC’s promised 11% share
  - Current deal in excess of 11% split
Status of State Budget

- State coffers estimated to run out of cash by the end of October
- Legislature may put together a quick budget for spending and borrowing authority
- Legislative members don’t want to have voters go to polls on November 2\textsuperscript{nd} angry that there is no State Budget
Status of State Budget

- Expected that the October “get out of town budget” will become imbalanced soon after the November elections
  - Ongoing structural $20 billion shortfall
- Legislature will wait until new Governor takes office in January to make mid-year fixes
  - Continue to wait for economy to come around with more state revenues
- Educational advisors are expecting mid-year funding reductions to Prop 98
State Budget
The Two Current Proposals

- Governor’s May Revise proposal
- Legislature’s Conference Committee Proposal
Governor’s May Revise Proposal

- (0.38)% - negative COLA
  - RSCCD – loss of approximately $500,000 in revenue

- 2.21% for “enrollment funding” (Growth)
  - Partial backfill of current year workload measures reductions (negative growth)
  - RSCCD – approximately $3 million more in additional revenue

- Additional Categorical Program reductions and flexibility
Joint Conference Committee Proposal

- rejected negative (0.38)% COLA
- 2.2% “enrollment funding”
  - Workload measures reductions offset
- $35 million to backfill American Recovery and Reinvestment Act (ARRA) funds
- No student fee increase
- Rejected all proposed cuts to categorical programs
- Establish statewide JPA to fund Mandated Costs
More Federal ARRA Funds

- Additional unexpected influx of American Recovery and Reinvestment Act (ARRA) State Stabilization Funds for 2010-2011
- Notified of $5 million for CA community colleges
  - $200 million provided for all higher education
  - $134,583 for RSCCD
- One time funds only for 2010-2011
- Three day spend down rule
Federal ARRA Funds

“General purpose” unrestricted funds

- K-12 and other Higher Education funds were general purpose unrestricted
- CCs must use as general purpose or jeopardize all
- ARRA State Stabilization funds for Education - $4.9 billion
- State Chancellor’s Office – “funds will be general purpose and local boards will be able to spend the dollars as they choose”

However application for federal funds was to assist state categorical programs that have suffered major funding reductions
Federal ARRA Funds

- RSCCD has allocated these funds between both colleges to help offset reductions to state categorical programs.
- Split based on FTES percentages
  - Percentages included in proposed Adopted Budget
- Santa Ana College - $95,917 (71.27%)
- Santiago Canyon College - $38,666 (28.73%)
RSCCD Proposed Adopted Budget

- **July 1, 2010 beginning balance (unrestricted) = $32,192,041**
  - Includes $9.5 million in 5% reserves
  - Tentative Budget estimated - $28,826,844

- **June 30, 2011, projected Ending Balance = $23,150,372**
  - Includes $10.1 million in 5% reserves

- **Spend down of $9,041,669 in proposed budget in the 2010-2011 budget year**
June 30, 2010 - Ending Balance

2009-2010 Additional Revenue - $9,138,363

- $4.5 million budgeted mid-year apportionment reduction (3% Budget Assumption reduction) that didn’t materialize
- $2.4 million in state apportionment adjustment for prior year (includes property tax adjustment)
- $943k ARRA funds – not budgeted in 2009/2010
- $765k increased interest earnings
- $329k increased non-resident tuition collections
- $202k increased lottery income
2009-2010 Expenditure Savings

- $5.6 million in salary and benefits savings
  - Primarily due to hiring freeze
  - Vacant funded positions
  - Some defunded positions
Proposed Adopted Budget

Revenue

– Negative Cost of Living Allowance (COLA)
  - Negative 0.38% - approximately $500,000

– No enrollment growth funding
  - Although current proposal is 2.2% statewide

– Deficit to general apportionment - 3%
  - Approximately $4.5 million

– Additional workload measures reduction - 2%
  - "Negative growth"
  - Approximately $3 million
Proposed Adopted Budget Assumptions

- 5% reserve maintained
- Cash flow monitoring important due to state apportionment deferrals
- Fiscally conservative budgeting approach at this time
State Budget - What’s next?

- When will there be a state budget?
- Will there be a suspension of Prop 98?
- What will be community colleges’ Prop 98 share?
- Will there be more workload measures reductions? (negative growth)
- Additional apportionment deficit?
  - Base funding reduction across the board
- Will there be student fee increases?
- Will there be more reductions to state categorical programs?
- Will there be targeted reductions to recreational/physical education programs?
What’s next?

October 11th RSCCD Board Meeting
– Approve Adopted Budget Assumptions
– Adopt proposed 2010-2011 Budget
– “Tentative Budget II”