2010-2011 Adopted Budget

Board of Trustees Meeting
October 11, 2010
Outline of presentation

1. State Budget Act
2. RSCCD 2010-2011 Proposed Adopted Budget
3. What’s next?
State Budget Act
State Budget Act

Approved by Legislature in the early morning hours last Friday, October 8

100 days into the new fiscal year
  – New record!

Governor signed budget on Friday afternoon after making $962 million in blue pencil line item vetoes to various state programs
  – $366 million reduction to CalWorks
  – $256 million to reduction to child care programs
State Budget Act

“*It's ‘balanced’ with pie-in-the-sky revenue assumptions, back-door borrowing and Enron-like accounting gimmicks.*”
   Dan Walters – Sacramento Bee

“*An ugly, temporary answer to California's intractable budget problems.*” – L.A. Times

“This is like *déjà vu all over again.*”
   – Yogi Berra
State Budget Act Balanced? of course not

- Revenues intentionally overstated
  - Waiting for economy to get stronger
- Expenditures intentionally understated
- Accounting tricks, shifts and internal borrowing
- Mostly one time solutions…again
- Estimates of $10+ billion out of balance as of signing
- State was running out of cash
- Clearly a “get out of town budget”…
State Budget Balancing Act

- Expect soon after the November 2 elections that some imbalance will be acknowledged
  - LAO report on budget act
  - Number will grow from that point on

- Waiting until new governor and newly elected legislators take office to address the shortfall
  - January 2011
  - Special session will likely be called

- State estimated to run out of cash (again) in March 2011
  - Even based on new budget estimates
K-12 education advisors predict mid year funding reductions to Prop 98

Advising districts to prepare for them
  – No indication of magnitude

Legislature may once again pass a mid year temporary budget solution
  – Continuing to wait for economic improvement
  – Continue to push the problem into the following fiscal year

Additional problem with temporary half cent sales tax expiring in 2011
State Budget
What’s included for community colleges?

- Suspends Prop 98 funding guarantee for one year
  - Funding formula would have provided $4.1 billion more for K-14 education without suspension
  - Concern the door is wide open to make additional mid year reductions to K-14 education in the current fiscal year
  - However, promises repayment of “maintenance of effort” guarantee in future years
State Budget
What’s included for CCs

- No Cost of Living Allowance (COLA)
  - No COLA takeaway that was proposed in May
- No student fee increase
  - Remains at $26 per unit
- Enrollment growth – 2.21%
  - To partially offset 3.39% workload measures reduction (negative growth) in 2009-2010 budget act
State Budget
What’s included for CCs?

- $35 million state backfill of last year’s one time ARRA funds to partially restore cuts to state categorical programs
  - Approximately $940,000 for RSCCD
  - Unsure if one time or ongoing

- $25 million for Economic Workforce Development
  - Paid in July 2011

- $20 million more for Career Technology (CTE) programs
  - Paid in July 2011
More state apportionment deferrals

- Additional $189 million deferral of state apportionment income from spring 2011 to July 2011 (new fiscal year) on top of prior deferrals
  - RSCCD approximately $4.5 million
  - Additional apportionment deferral from October 2010 to November 2010 – or until state borrows funds

- Deferral mechanism is how state is able to give more funding to education without the additional revenue sources

- Now over 25% of state apportionment funds are provided in the succeeding fiscal year
Apportionment Deferrals vs. Cuts

- State started deferrals in 2003
  - Promised one time only
  - Now ongoing
- Increased use in last two years
- State presents them as either/or option
  - Either take the deferrals
  - Or take the funding cuts
- Monumental cash flow problem
Apportionment Deferrals vs. Cuts

Dangerous in that districts are expected to spend money on programs and services in a current fiscal year in anticipation that the state supporting revenue will be received in the following fiscal year

- Funding may not materialize

At what point does this deferral practice go too far?

- Legislature seems very comfortable with issuing us IOUs
- Pushes borrowing costs to districts
Apportionment Deferral vs. Cut

This tactic delays the inevitable reductions unless the state has the ability to buy back the deferrals
  – Districts take all the risk

How do you define prudent and responsible budgeting in this environment?
  – Spend it first, hope for it later?
  – Is the state imposing their “smoke and mirrors” practices on districts?
State Budget

We won’t know the budget details for RSCCD for several weeks

– Budget trailer bill language still being written even though already approved

Chancellor’s Office Budget Workshop scheduled for November 3rd

– “Blue Book”

– Includes specific funding levels for categorical programs, property tax collection estimates and student fee collection estimates
RSCCD
2010-2011
Proposed Adopted Budget
Adopted Budget

- Operationally, consider the proposed Adopted Budget to be the “Tentative Budget II”
- Will need to make adjustments once the reality of state budget is acknowledged and acted upon
- Waiting for more detailed information
- Wait and see approach at this time with RSCCD adopted budget
- Sufficient foresight in RSCCD adopted budget to withstand a mid-year reduction in state funding up to approximately $10 million
Adopted Budget

The proposed adopted budget is built on state funding levels included in the May
Revise

Does not include changes based on last Friday’s enacted State Budget Act

Includes BAPR committee recommended budget assumptions

Includes agreed upon modified Budget Allocation Model (BAM)
  – BAM slightly modified to accommodate redistribution of discretionary revenues due to targeted budget reductions
Adopted Budget
What’s included?

Revenue – May Revise

– Negative Cost of Living Allowance (COLA)
  - Negative 0.38%
  - State budget act – no negative COLA

– No enrollment Growth Funding
  - Although current budget act is 2.21% statewide

– No Student (tuition) Fee increase
  - Remains at $26 per unit
Adopted Budget
What’s included?

Revenue

– Deficit to general apportionment - 3%
  - BAPR Committee recommendation
  - ($4.5 million)

– Additional Workload measures reduction - 2%
  - BAPR Committee recommendation
  - “negative growth”
  - ($3 million)
Adopted Budget
General Fund combined

- Federal Revenues = $9,885,271 – 6%
- State Revenues = $90,639,747 – 57%
- Local Revenues = $57,761,835 – 37%
  - Property taxes = $45 million
  - Student fees = $6.9 million ($26/unit)
  - Non resident tuition = $2.6 million
  - Interest earnings = $455,059

$2.2 million earned in 07/08
Adopted Budget
General Fund combined

- Total budget year revenue - $158,303,353
- Beginning balance (includes reserves) – $32,190,876
- Combined total revenues - $190,494,229
Adopted Budget
General Fund combined

- Expenditures
- Salaries and benefits - $135,165,320
  - Over 81% of all district expenses
    - Academic Salaries - $60,075,029 – 45%
    - Classified Salaries - $37,663,123 – 28%
    - Employee Benefits - $37,427,168 – 27%
- Supplies - $2,802,485
- Services and other operating expense - $24,629,048
- Equipment - $2,516,055
- Other transfers - $2,232,114
- Total budgeted expenditures of $167,345,022
Adopted Budget
What’s included?

- Reserves for Economic Uncertainty – 5%
  - $8,367,251
- Apportionment Deficit – 3%
  - $4.5 million
- Additional 2% workload measures reduction
  - $3 million
Adopted Budget

- General fund July 1, 2010, beginning balance - $32 million
- General fund June 30, 2011, projected ending balance - $23 million
- Spend down of $9 million in current proposed adopted budget
  - Assumes all expenditure line item budgets will be spent
  - Includes $7.5 million in reduced state apportionment due to budget assumptions
What’s next?
What’s next?

- RSCCD Adopted Budget becomes the operating budget for the district for now
- Wait and see what the state Legislature does about the imbalanced state budget
- Make mid year adjustments as necessary
- We can expect continued apportionment deferrals
  - State may not be able to buy back these cash deferrals for a long time
  - Continuing cash flow concerns
Adopted Budget Recommendation

- Recommend approval of the proposed Adopted Budget, as presented, in order to comply with budget deadline of October 15