2010-2011 Budget Update

Board of Trustees Meeting
November 15, 2010
Outline of presentation

1. Update on State Budget Act
   • Approved October 8, 2010
   • Chancellor’s Office Budget Workshop
2. LAO – California’s Fiscal Outlook
   • Released November 10, 2010
3. What’s next?
Update on State Budget Act
State Budget Act

State Chancellor’s Office Budget Workshop
- Workshop held at Chaffey College Center
- November 3, 2010
- “Blue Book”
  - Financial information detail for each community college district

Budget Act and 25 trailer bills to define State Budget Act
State Budget Act

Addressed a $19.2 billion budget gap

- Budget cuts - $7.8 billion
- Federal funds expected - $5.4 billion
- Delayed tax breaks - $1.2 billion
- Sale of state buildings - $900 million
- Borrowing and account shifts - $2.7 billion

Suspends Prop 98 K-14 funding guarantee for one year

Governor vetoed almost $1 billion to increase size of “rainy day” fund
State Budget

What’s included for community colleges

- No student fee increase
  - Remains at $26 per unit
- No Cost of Living Allowance (COLA)
- Enrollment growth – 2.21%
  - To partially restore 3.39% workload measures reduction (negative growth) in 2009-2010 budget act
  - RSCCD - $3,080,184 growth funding
State Budget Act

State Categorical Programs
- Funding essentially remains the same as last year’s reduced levels
- No ARRA funding backfill provided for this year
- Flexibility continues

Mandated costs funding
- One time – unrestricted revenue
- Partially offset prior years’ accumulated debt
- Per FTES funding - $17.78 per FTES – P2
- RSCCD - $539,075
$35 million backfill of last year’s one time ARRA funds to partially restore cuts to state categorical programs
  – Approximately $940,000 for RSCCD
  – Vetoed

$25 million for Economic Workforce Development
  – Competitive grants
  – Vetoed
State apportionment deferrals

- Additional $129 million deferral of state apportionment income from spring 2011 to July 2011 (new fiscal year) on top of prior deferrals
  - Statewide deferrals now total $832 million
- RSCCD total inter-year deferrals now approximately $20.3 million (23.5%)
  - Approximately $7.5 million intra-year
- This cash deferral is approximately equal to the 2.21% enrollment growth funding in budget
  - State is using next year’s revenue to fund this year’s enrollment growth
LAO – California’s Fiscal Outlook
Legislative Analyst’s Report

The 2011-12 Budget: California’s Fiscal Outlook

- Mac Taylor – Legislative Analyst
- [http://www.lao.ca.gov](http://www.lao.ca.gov)

California budget problem for 2010-2011 and 2011-2012 forecasted at $25.4 billion

- $6.1 billion shortfall in 2010-2011
  - Additional $3 billion shortfall possible
- $19 billion shortfall in 2011-2012

Ongoing budget shortfalls of $20 billion each year through 2015-2016
Legislative Analyst’s Report

- LAO advises multi-year approach to fixing the state budget
  - Not possible to solve in one year
  - Requires “real” budget solutions

- Requires more revenues

- Requires “permanent, real and ongoing expenditure reductions”
  - $10 billion permanent in 2011-2012
  - $15 billion temporary in 2011-2012
Legislative Analyst’s Report

State cash flow needs are a big concern
- Reliance on external borrowing
- State funding deferrals necessary
  - Primarily K-14 education
- State may need more of both
- Mid year budget solution needed to avert cash flow shortfall in spring
Proposition 98 K-14 minimum funding guarantee forecasted to drop by $2 billion in 2011-2012

- Approximately $5–6 million reduction for RSCCD
- Unless legislature suspends Prop 98 for further reductions
- LAO advises that K-14 Prop 98 funding levels are already too low
What’s next?
What’s next?

Governor Schwarzenegger announced he will call a special session of the legislature to begin on December 6, 2010 to address the budget shortfall

- Governor-elect Brown supports the calling for the special session

However, legislature may wait until January to negotiate with Governor Brown

Also, legislature will most likely wait until Governor Brown’s January Budget Proposal is presented

- January 10, 2011
What’s next?

State Chancellor’s Office advises of increased probability of cuts in the current fiscal year (2010-2011) and the 2011-2012 budget year.

State Chancellor’s Office advises districts to prepare for mid-year funding reductions:

- Not to expect 2.21% enrollment growth funding to remain funded for 2010-2011
  - Take back by state since funded out of 2011-2012
  - RSCCD – However, adopted budget did not include any enrollment growth funds
What’s next?

- Mid-year Prop 98 funding reductions could be even worse
  - Prop 98 minimum funding guarantee expected to drop lower in current year
- A “mid-year” budget solution may not be finalized until March 2011 or longer
  - Not in the middle of the year
  - Funding reductions at June 30, 2011
What’s next?

- Continue to monitor any changes to state funding that would affect RSCCD in the current fiscal year
  - Property tax collection
  - Student fee collections
  - Overall apportionment deficit

- Expect at least a $2 billion reduction to Prop 98 K-14 funding in 2011-2012
  - Approximately $6 million for RSCCD