2010-2011 and 2011-2012 Budget Update

Board of Trustees Meeting
May 10, 2011
Latest state budget information

- May Revise
  - To be released May 16th
- Governor has repeatedly threatened an all-cuts budget
  - Unlikely, legislative leadership has stated they cannot provide majority votes for passage of all-cuts budget
- All-cuts budget is slowly becoming less of an option
More likely, a more realistic Plan B will be presented at May Revise

- Partially acknowledges some increased tax revenues
  - Governor and DOF downplaying increased tax revenue collections
- May Revise proposal will still require voter approval
- May or may not suspend Prop 98
- Acknowledge that state costs have increased thereby increasing budget deficit
Latest state budget information

- Tax collections are up approximately $2.5 billion for 2010-2011 fiscal year
  - Helps offset 2010-2011 state budget shortfall
- How much will this help the 2011-2012 budget?
  - $2.5 billion?
  - $5 billion?
  - Or more?
- Good or bad?
Latest state budget information

- More state tax revenues currently presents a problem
  - More difficult for Legislature/Governor to extend/raise taxes
  - More difficult for Legislature/Governor to place ballot measure in September/November
    - Governor’s promise to have voters decide

- Even with more tax revenues state still has large budget imbalance
  - Possibly extend only certain taxes
Proposition 98

If more state revenues are included in May

Revise

– Proposition 98 minimum funding guarantee increases proportionately

Unless Prop 98 suspended again in 2011-2012

Current year increase in taxes will not be shared with Prop 98

– Prop 98 is currently suspended
Voter approval?

- Legislative leaders do not want to go to the voters for tax extensions/tax increases
  - Contrary to Governor’s promise
  - Still negotiating for 2/3 Legislative approval

- “Deal” may be announced in June

- Governor’s campaign promise has become a sticking point in budget negotiations
Additional State Costs

- Less savings from state collective bargaining agreements
- Less savings from legally challenged cost reduction solutions
- Redevelopment Agencies abolishment savings now appears unlikely
- Enterprise Zone abolishment savings now appears unlikely
What’s next?

Governor/Legislature currently considering several options

– Approve state budget with 2/3 votes to extend taxes prior to June 30 with ballot initiative
  - Ask voters to “ratify” in September/November ballot
  - No discussion on what happens if voters don’t “ratify” as suggested by polls
– Approve state budget with 2/3 votes to extend taxes prior to June 30 without ballot initiative
  - “Deal” with 2/3 legislative approval
What’s next?

Somewhere between Plan A and Plan B

– Plan A is now law
– Plan B could be partially offset by additional tax revenues
  
  However, most likely offset by additional costs and lost opportunities (RDA, EZ, sale of state buildings and collective bargaining savings)

Possible September or November Special Election

State Budget in June or in September/October?
RSCCD - What’s next?

Plan A = loss of $7.1 million in state apportionment revenue
  – SB70 – as of July 1, 2011
  – Already including in Tentative Budget

Plan B = loss of $12.4 million in state apportionment revenue
  – Need to identify approximately $5 million in reductions/solutions
RSCCD - What’s next?

Preparation of the 2011-2012 Tentative Budget

- Tentative Budget Assumptions presented for Board approval at next meeting
- Tentative Budget is a “placeholder” budget
  Authority at July 1 to continue operations

Tentative Budget approval at June 20 Board meeting
RSCCD - What’s next?

- Wait for State Budget
  - June/July or September/October?
- Approve Tentative Budget in June
- Include enacted State Budget in Adopted Budget in September
- Numbers will change from Tentative to Adopted based on actual reductions in enacted State Budget