2011-2012 Budget Update

Board of Trustees Meeting
August 22, 2011
1. State Budget Update
   - Latest information
2. RSCCD Proposed Adopted Budget highlights
State Budget Update
What’s new?

Chancellor’s Office Budget Workshop
- “Blue Book”
  - Details on apportionments
  - Workload measures
    - Apportionment reductions
    - Reduced funded FTES targets
    - Categorical program entitlements
    - Trigger 1 and Trigger 2 scenarios

So far, state revenue collections are well below estimates
- Economy sluggish
- Bad sign for chances of collecting additional $4 billion in revenue dependent on holding off “trigger” cuts
State Budget Update
Community Colleges

- Net $290 million reduction in state apportionment funding
  - RSCCD – ($7,961,366)
  - 6.21% workload (FTES) reduction (negative growth)

- Increases student fees from $26 to $36 per unit

- Student fee collection shortfall acknowledged to be $25 million statewide in 2011/2012
  - Estimate additional RSCCD funding reduction of approximately $800,000
    - Unique to each district dependent on BOG waivers
    - Will be applied as general apportionment deficit
State Budget Update

Mid-year funding cut tiers or “triggers” if certain levels of additional $4 billion in revenue doesn’t materialize

- Trigger 1 and Trigger 2
- Automatic as of January 1, 2012
- Based on lower assessment of DOF or LAO

Additional apportionment cash deferrals

- Year end state apportionment deferrals (IOU)
- RSCCD = $24,091,280 as of June 30, 2012

30.7% of total state general apportionment
State Budget Update
Mid-Year Triggers

- **Trigger 0**
  - at least $3 of the $4 billion materializes: No additional funding cuts

- **Trigger 1**
  - between $2 and $3 billion of revenue materializes: $30 million apportionment cut, backfilled by an increase in fees of $10, from $36/unit to $46/unit (January 1, 2012)
    - RSCCD – additional $763,070 funding cut

- **Trigger 2**
  - between $0 and $2 billion of new revenue materializes: Trigger 1 cut and fee increase **PLUS** a $72 million additional apportionment cut
    - RSCCD – additional $1,831,368 funding cut
  - **Combined** = $2,594,438 mid-year funding cut
Will the Triggers be pulled?

- CCLC has advised district’s to prepare for Trigger 2 mid-year funding reductions
- State Chancellor’s Office is not providing any advice or direction for districts
  - Each district has unique set of circumstances
- K-12 districts are being advised to prepare for Trigger 2 reductions
  - Seven days less instructional school year

Prudent to at least prepare for Trigger 1
  - RSCCD recommendation in Budget Assumptions
What is included in RSCCD Proposed Adopted Budget?

- **Workload measures funding reduction**
  - $7,961,366 apportionment reduction
    - Partially offset by $7.5 million reduction already budgeted last year
  - 6.21% reduction in funded FTES (1,893.61)

- **Employee health benefit cost increases, Unemployment Insurance increases, PERS increases**
  - Approximately $2.5 million in additional ongoing costs
RSCCD Budget

Therefore, additional $3.5 million in ongoing cost reductions are necessary for Proposed Adopted Budget

- $2.5 million for additional new ongoing expenditures
- $1.0 million in anticipation of Trigger 1 mid-year reduction
Campuses/Centers and District Operations have identified the required $3.5 million in additional reductions for the Proposed Adopted Budget

- Santa Ana College - $2,005,500
  - 57.30% share of combined fixed/discretionary costs
- Santiago Canyon College - $917,700
  - 26.22% share of combined fixed/discretionary costs
- District Operations - $576,800
  - 16.48% share of combined fixed/discretionary costs
2010-2011 Ending Fund Balance

- Approximately $46 million as of June 30, 2011
  - June 30, 2010 - $32 million

- Increase of approximately $14 million
  - $7.5 million budgeted expected mid-year reduction that didn’t materialize
  - $3.1 million - funded 2.21% growth
  - $2.2 million - two years OEC center funding
  - Approximately $1.2 million in cost savings primarily due to funded vacant positions

- Ending balance funds are one time funds
  - Proposed Adopted Budget spends down approximately $7 million (estimate)
  - Trigger 2 implementation will spend down an additional $1.8 million
Ongoing Concerns

- State and National economies not performing to state revenue expectations
- If Trigger 2 is implemented
  - An additional reduction in RSCCD state funding
  - Additional $1.8 million mid-year reduction
  - Further encroachment on ending balance
  - Too soon to tell…
- Cash deferral concerns
  - $24 million as of June 30, 2012
  - Additional new deferrals?
- Additional Prop 98 tinkering?
Proposed Adopted Budget Timeline

Adopted Budget Assumptions recommendations
– On tonight’s docket for approval
– Includes anticipated Trigger 1 reductions

Proposed Adopted Budget approval
– September 12th Board meeting
– September 15th Adopted Budget due date