State Budget Overview
State Budget Overview

- Approved by Legislature with majority vote
  - Included $4 billion in additional expected revenues
  - Automatic trigger cuts
    - Trigger 1
    - Trigger 2
- Cuts to CCCs
  - $400 million cut to base apportionment
  - $110 million in increased fee revenue
    - Enrollment fee increase from $26 to $36/unit
  - $129 million in new deferrals
State revenues intentionally overstated in order to approve state budget on simple majority
  - Waiting for economy to get stronger

State expenditures intentionally understated
  - Many are subject to lawsuits

More accounting tricks (deferrals), shifts, “shenanigans” and internal borrowing

“Suspension” of Proposition 98 minimum funding
  - With simple majority vote?
State Budget
What’s Included for CCs

- No Cost of Living Allowance (COLA)
  - Fourth year in a row without COLA

- Student fees increased from $26 to $36 per unit
- 6.2% Workload Reduction = “Negative Growth”
Additional $129 million state-wide deferral (IOU’s)
Total deferrals now at $961 million for CCCs
$24.1 million deferral at year end for RSCCD
Deferral mechanism is how state is able to maintain same level funding to education without the additional revenue sources
Now over 30% of state apportionment funds are provided in the succeeding fiscal year
Creates monumental cash flow problem for districts every June through end of October
RSCCD
2011-2012
Proposed Adopted Budget
With State Budget passed “on time”, the district’s budget preparation could also be on time this year (September 15)...however…

Don’t expect enacted State Budget to hold

Adopted Budget prepared for the Trigger 1 cuts of $1 million

If Trigger 2 cuts materialize, will have to evaluate mid-year options

CCLC advising districts to prepare for Trigger 1 and Trigger 2 to be implemented
Proposed Adopted Budget

- Includes Budget Allocation and Planning Review (BAPR) committee recommended and Board approved budget assumptions for the Adopted Budget
- BAPR committee review and support for proposed Adopted Budget
  - Action item to recommend to Chancellor did not occur at last BAPR meeting
  - Will ratify at next BAPR meeting
  - Email poll from BAPR committee indicates almost unanimous support
  - 17 out of 18 BAPR voting members responded with their support of recommendation to Chancellor of the proposed Adopted Budget
- Includes utilizing a “modified” RSCCD Budget Allocation Model (BAM)
  - BAM again modified to accommodate redistribution of discretionary revenues due to targeted budget reductions over the last three years
  - Each campus gets to keep its share of cost savings
  - Creates disproportionate allocation of discretionary funds when compared to the BAM
Proposed Adopted Budget
What’s Included?

- Revenue:
  - No Cost of Living Allowance (COLA)
  - 6.2% Workload reduction (negative growth)
    - ($7.9) million state funding reduction
  - 3% estimated local property tax deficit
    - ($1.2) million offset to projected
  - 15% Estimated student fee shortfall
    - ($1.3) million offset to projected
      - Additional Fee Waivers ($800k)
      - Potential increase to $46 will likely cause collectability issues ($500k)
Federal Revenues = $10.11 million – 6%

State Revenues = $96.35 million – 60%

Local Revenues = $53.57 million – 34%

- Property taxes = $41.1 million
  - 3.3% net increase
  - DOF projected $42.4 million, less $1.2 million offset
  - Only collected $39.8 million in 2010/11

- Student fees (net) = $7.7 million (@ $36/unit)
  - DOF projected $9 million, less $1.3 million offset

- Non-resident tuition = $2.0 million
Proposed Adopted Budget
General Fund Combined

- Total budget year revenue - $160.05 million
- Beginning Fund Balance (includes reserves) – $47.08 million
- Combined total resources - $207.13 million
Expenditures:

- Salaries and benefits - $136.31 million
  - Over 81% of all district expenses
    - Academic Salaries - $58.38 million – 43%
    - Classified Salaries - $37.35 million – 27%
    - Employee Benefits - $40.57 million – 30%
- Supplies - $2.81 million
- Services and other operating expense - $25.18 million
- Equipment - $2.63 million
- Other transfers - $2.03 million
- Total budgeted expenditures of $168.96 million
Proposed Adopted Budget
What’s Included?

- Reserve for economic uncertainty – 5% Board Policy - $8,447,993
- Other Designated Reserves - $2,712,278
  - Includes:
    - Child Development Cash Flow - $1 million
    - Load Bank Leave and Vacation Payout - $1 million
    - Restricted Program Reserves and Revolving Cash
Proposed Adopted Budget

- Beginning balance - General Fund - July 1, 2011,
  - $47,079,378
- Projected General Fund June 30, 2012 ending balance
  - $38,167,197
- Spend down of approximately $9 million in proposed adopted budget
  - Assumes all expenditure line item budgets will be spent
  - Does not include potential Trigger 2 reductions of -$2 million
- If Trigger 2 cuts included, current year spend down will increase to $11 million, therefore the June 30, 2012 ending balance would be approximately $36 million
### RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

### Increase in 2010-2011 Fund Balance

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workload reduction and deficit</td>
<td>$ 7,514,795</td>
</tr>
<tr>
<td>OEC center 2010-11</td>
<td>1,107,182</td>
</tr>
<tr>
<td>OEC center 2009-10</td>
<td>1,107,182</td>
</tr>
<tr>
<td>2.21% growth</td>
<td>3,079,583</td>
</tr>
<tr>
<td>Expenditure savings/Vacant positions savings</td>
<td>2,812,277</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,621,019</strong></td>
</tr>
<tr>
<td>Beginning balance 7/1/2010</td>
<td>32,190,876</td>
</tr>
<tr>
<td>Ending balance 6/30/2011</td>
<td>$ 47,811,895</td>
</tr>
<tr>
<td>2010-11 Second Principal Apportionment 6/17/11 Deficit</td>
<td>(732,517)</td>
</tr>
</tbody>
</table>

Not Included in the budget for FY 2010-11:


**Budget for FY 2010-11**

- Workload reduction and deficit: $7,514,795
- OEC center 2010-11: 1,107,182
- OEC center 2009-10: 1,107,182
- 2.21% growth: 3,079,583
- Expenditure savings/Vacant positions savings: 2,812,277
- Total: 15,621,019
- Beginning balance 7/1/2010: 32,190,876
- Ending balance 6/30/2011: $47,811,895
- 2010-11 Second Principal Apportionment 6/17/11 Deficit: (732,517)

**Beginning balance on 7/1/2010**: $32,190,876

**Ending balance on 6/30/2011**: $47,811,895

**Ending balance on 9/7/2011**: $47,079,378
Risks and Concerns
Risks and Concerns

- Imbalanced state budget
  - LAO State Fiscal Outlook report generally published in November
  - DOF and LAO must determine by December 15, 2011 whether Trigger 1 or Trigger 2 must be implemented
- Trigger 1
  - Student enrollment fee increase from $36 to $46
- Trigger 2
  - Additional state funding reductions
  - As workload measures (negative growth)
- Mid-year expenditure adjustments and reductions very difficult
- Managing FTES generation very important in a period of workload measures reductions (negative growth)
## Managing FTES Generation

<table>
<thead>
<tr>
<th></th>
<th>Santa Ana College</th>
<th>Santiago Canyon College</th>
<th>Total</th>
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<tbody>
<tr>
<td></td>
<td>FTES</td>
<td>%</td>
<td>FTES</td>
</tr>
<tr>
<td><strong>2010/11 Annual</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit</td>
<td>16,239</td>
<td>70.95%</td>
<td>6,648</td>
</tr>
<tr>
<td>Non-Credit</td>
<td>5,612</td>
<td>71.42%</td>
<td>2,246</td>
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<tr>
<td><strong>Total</strong></td>
<td>21,851</td>
<td>71.07%</td>
<td>8,894</td>
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<tr>
<td><strong>2011/12 Projected</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit</td>
<td>15,101</td>
<td>70.63%</td>
<td>6,279</td>
</tr>
<tr>
<td>Non-Credit</td>
<td>5,395</td>
<td>72.33%</td>
<td>2,064</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20,496</td>
<td>71.07%</td>
<td>8,343</td>
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</tbody>
</table>
We can expect continued apportionment deferrals if state needs to make additional reductions to Prop 98
  - State may not be able to buy back these cash deferrals for a long time
  - Continuing cash flow concerns

Spending down ending fund balance
  - Provides needed cash flow for state IOU’s
  - Won’t last forever…
Recommendation
### List of Funds Budgeted

**General Fund**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures</td>
<td>$168,959,865</td>
</tr>
<tr>
<td>Board Policy Contingency (5%)</td>
<td>8,447,993</td>
</tr>
<tr>
<td>Restricted Reserves</td>
<td>2,712,278</td>
</tr>
<tr>
<td>Unrestricted Contingency - Cash Flow</td>
<td>27,006,926</td>
</tr>
</tbody>
</table>

**Total General Fund** $207,127,062

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Development Fund</td>
<td>5,550,263</td>
</tr>
<tr>
<td>General Obligation Bond Funds</td>
<td>99,134,297</td>
</tr>
<tr>
<td>Bond Interest and Redemption Funds</td>
<td>25,576,813</td>
</tr>
<tr>
<td>Capital Outlay Projects Fund</td>
<td>23,349,489</td>
</tr>
<tr>
<td>Self-Insurance Fund - Workers' Compensation</td>
<td>7,771,227</td>
</tr>
<tr>
<td>Self-Insurance Fund - Property and Liability</td>
<td>2,501,823</td>
</tr>
<tr>
<td>Retiree Benefits Fund</td>
<td>(8,455,950)</td>
</tr>
<tr>
<td>Student Financial Aid Fund</td>
<td>23,379,407</td>
</tr>
<tr>
<td>Diversified Trust Fund</td>
<td>2,043,622</td>
</tr>
<tr>
<td>Associated Students Fund</td>
<td>423,734</td>
</tr>
<tr>
<td>Bookstore Fund</td>
<td>10,752,373</td>
</tr>
<tr>
<td>Community Education Fund</td>
<td>688,849</td>
</tr>
</tbody>
</table>

**Total All Funds** $399,843,009
Adopted Budget Recommendation

- Recommend approval of the proposed 2011-2012 Adopted Budget, as presented