2011-2012 Budget Update

Board of Trustees Meeting
December 5, 2011
State Budget Crisis
Latest Information

Legislative Analyst Office (LAO)
California’s Fiscal Outlook report

- Report at: http://www.lao.ca.gov
- First half of state budget trigger language estimates
- State deficit for 2012-2013 = $12.8 billion
- State deficit for current fiscal year = $3.7 billion short of $4 billion target
  - Both trigger reductions would be implemented
  - 2012-2013 deficit assumes trigger cuts continue into future years
- Five year forecast assumes no COLA’s for 5 years for all state agencies
State Budget Crisis

- Department of Finance (DOF) will project their estimates of current fiscal year by December 15\textsuperscript{th}
  - DOF has indicated both triggers likely
  - DOF can predict more expected tax revenues in second half of budget year
  - Expect DOF projections before December 15\textsuperscript{th}
  - Governor’s Proposed Budget due January 10\textsuperscript{th}

- Triggers are based on the higher of the two projections
State Budget Triggers

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

**Trigger 1**
- between $2 and $3 billion of additional revenue materializes
  - $30 million apportionment cut to community colleges
  - increase in fees of $10, from $36/unit to $46/unit (July 1, 2012)
  - RSCCD – additional $900k mid-year funding cut

**Trigger 2**
- between $0 and $2 billion of additional revenue materializes
  - Trigger 1 cut and fee increase
  - PLUS a $72 million additional apportionment cut
  - RSCCD – additional $2 million mid-year funding cut

**Trigger cuts not proportional for community colleges like K-12 cuts**
Governor planning on tax increase ballot measure for November 2012

So far, four competing tax measures are planned by various groups

LAO forecasts the Prop 98 minimum funding guarantee possibly increases by $4 to $6 billion in 2012-2013
- Accumulated prior year Prop 98 “maintenance factor”
- Very unlikely legislature will fund Prop 98 minimum guarantee with continuing state structural deficit of $10 billion

LAO suggests in report that state legislature may need to suspend Prop 98 in 2012-2013 to avoid having to fund the calculated increase
Orange County vs. Sacramento

- 2011-2012 State Budget Act eliminated $48 million in annual VLF set aside OC has received since bankruptcy for repayment of “bankruptcy bonds”

- On November 10, 2011 OC Supervisor’s direct OC Auditor-Controller to reallocate property taxes according to the amount the County of Orange should receive under Revenue & Taxation Code 97.70
  - Taking back $73 million in VLF
  - Redirects Educational Revenue Augmentation Funds (ERAF) from schools to the county
Orange County vs. Sacramento

Reallocation of Property Taxes

- $73 million VLF (ERAF) fees kept by OC
- VLF fees were used for K-14 property tax revenue (apportionments)
  - “triple flip”
- Creates shortfall in property taxes for K-14
- K-12 education has property tax backfill
- Community colleges do not receive backfill
  - Direct reduction in apportionment revenue
  - Will be applied as a system wide deficit to apportionments
  - Approximately $12 to $14 million
Scheduled Budget Forums

- Last Budget Forum for fall semester
- SCC – December 6\textsuperscript{th} – 2:00 to 3:30 p.m.