2011-2012
2012-2013 Governor’s Budget Proposal
Budget Update

Board of Trustees Meeting
January 17, 2012
1. 2011-2012 Current Fiscal Year Budget
2. 2012-2013 Governor’s Proposed Budget
Current Fiscal Year

- Trigger’s 1 & 2 have been “pulled”
  - DOF and LAO agreed tax revenues below budget act estimates
  - Worst case scenario

- Student fee increased from $36 to $46 per credit unit
  - To be implemented July 1, 2012

- Mid-year state apportionment reductions
  - Immediate loss of $2.6 million to RSCCD
  - Workload measure reduction of 1.4%
    - Negative growth
  - Not built into the RSCCD budget
  - Will erode ending balance by $2.6 million
  - Necessitates additional reductions in expenditures beginning with the 2012-2013 Tentative Budget (July 1, 2012)
  - Ongoing base funding reductions, not one-time
Current Fiscal Year

Also, recent current year RSCCD negotiated settlements with bargaining units will increase spending by approximately $3 million in current fiscal year and beyond
- Further spend down of the beginning balance

Will necessitate approximately an additional $3 million in cost reductions in next fiscal year

Partially offset with any savings from current hiring freeze

Combined with state apportionment reductions = $5.6 million in additional ongoing reductions necessary in the Tentative Budget
Governor’s Budget Proposal

Released on January 5th
- Several days earlier than expected

$9.2 billion budget shortfall for 2012-2013 fiscal year
- $4 billion in current year
- $5 billion in budget year

Two possible state budget scenarios
- Rosy (tax increases are to be approved in the November 2012 election)
- Bleak (tax increases are not approved)
  - Budget will include automatic trigger to cut education $4.8 billion if tax measure doesn’t pass
Governor’s Budget Proposal

Good News – Rosy (taxes pass)
- No additional state funding for CC’s
- No additional reductions in state funding
  - Buys back approximately 20% of deferrals
  - $218 million

Bad News – Bleak (taxes don’t pass)
- Deferral buyback disappears
- Additional $2.4 billion reduction to Prop 98
  - Shift of statewide annual facilities bond payments to K-14
- CC’s share = $264 million
- RSCCD share - $6.6 million loss of state apportionment funding
  - Additional workload measures reduction of 5.56%
Governor’s Budget Proposal

- District’s are verbally advised by State Chancellor’s Office to prepare for the worst case scenario - taxes won’t pass
  - November 6, 2012 election date
  - Inability to make sizable reductions to adopted budget at midyear
  - Compels districts to make cuts now and hope to reinstate cuts after (if) taxes pass
    - Catch 22 situation

- All K-12 districts are being advised the same
RSCCD Budget Impact

**Best case scenario**
- No further reductions in state funding
- Buyback a portion of deferrals – approximately $5 million
- Additional expenditure increases – approximately $5.6 million plus

**Worst case scenario**
- No partial buyback of deferrals
- State apportionment reduction of $6.6 million
  - Workload measures reduction of 5.56%
- Additional expenditure increases - $5.6 million
- Combined necessary reductions to next year’s Tentative Budget = $12.2 million plus
Waiting Game

- Governor’s Budget Proposal is just that...a proposal to start discussions
- Final budget in June will likely be entirely different than the Proposal
- Legislature waiting for May Revise in hopes that economy is improving
  - Betting big that several “.com” IPO’s will generate huge windfalls in state income and capital gains taxes (another .com bust?)
  - Overall state economy lagging expectations
Waiting Game

- Governor is gambling big that his November 2012 tax initiative passes
  - Several competing tax initiatives
  - Several state-wide bond initiatives
  - Several local bond/parcel tax initiatives

- If Governor’s tax measure fails
  - Armageddon of cuts to education, courts, fire protection, water resources and parks and Department of Justice
  - Similar to last year?…