2011-2012
Budget Update

Board of Trustees Meeting
April 2, 2012
1. **2011-2012 enacted State Budget** cut community college funding by $400 million with an expected $110 million of fee increase revenue to partially offset.
   - RSCCD impact = $7.9 million in reduced funding
   - Workload measure reduction of 6.2% (negative growth)

2. **Trigger’s 1 & 2** were “pulled” in January 2012
   - $102 million combined reduction in state funding
   - RSCCD impact = $2.6 million in reduced funding
     - 1.4% workload measure reduction

3. **“February Surprise”**
   - Additional $149 million in funding reduction
   - RSCCD impact $3.7 million

**Combined year to date state funding reduction for RSCCD = $14.2 million**
February Surprise – P1

- Statewide student fee shortfall
  - $107 million statewide
  - Due to higher BOG fee waiver participation

- Statewide property tax shortfall
  - Includes Orange County property tax shift
  - $41 million statewide

- Additional $1 million in “miscellaneous” adjustments

- Total = $149 million statewide apportionment deficit at P1 – historic 3.4% ($4.4 million)
  - RSCCD net impact = $3.7 million
Current Year Funding Cuts

- RSCCD 2011-2012 Adopted Budget did not include trigger cuts nor any “February Surprise”
  - Did anticipate a small fee shortfall ($1.4 million) and property tax shortfall ($1.3 million)
- The January budget trigger reductions and the “February Surprise” state funding reductions will be absorbed by further spending down of the RSCCD general fund beginning fund balance
More possible bad news?

Legislative Analyst Office (LAO) disagrees with Governor’s current year and budget proposal revenue projections

- LAO estimates revenues in 2011-2012 and 2012-2013 fiscal years will be $6.5 billion less than Governor’s estimates
  - $3 billion in current year
  - $3.5 billion in budget year
  - Primarily from projected capital gains taxes
    - Facebook and other technology IPO’s
- Further reduces Prop 98 minimum funding guarantee
  - RSCCD - current year = loss of $3.7 million
  - RSCCD - budget year = loss of $4.3 million
More possible bad news?

Another real threat to community college funding in the current fiscal year is the Governor’s intent to deduct $147 million in current apportionment funds because he assumes that the wind down of Redevelopment Agencies (RDA) statewide will provide K-14 education with $1.4 billion in additional local property taxes.

– RDA unallocated funds will most likely not materialize to this extent

– K-12 has property tax backfill (held harmless)

– Community College’s do not have property tax backfill

– RSCCD impact = $3.7 million reduction in current year apportionment funding
To make matters worse…

Assembly Speaker introduced AB 1585

- Reallocates $1.4 billion from education to RDA’s (successor agencies) for low/moderate income housing
- Would let successor agencies keep the $1.4 billion in redevelopment money for affordable housing, instead of distributing it to schools
- Approved by Assembly: 56-7
- Now moves to Senate for their vote
What’s next?

- May Revision
  - Expect “rosy” revenue and expenditure projections allowing the Governor and Legislature to buy more time
    - Most likely include a trigger mechanism if tax measure doesn’t pass
  - Waiting until after November elections
    - Governor’s compromise tax initiative
    - Substantial cost reductions even if taxes pass
    - Continued hope that the economy will improve
- No indication if state will backfill all fee shortfalls ($26 to $36, additional BOG fee waivers, $36 to $46, and those additional BOG fee waivers) and all property tax shortfalls (OC shift, RDA shift and overall shortfall) in new budget year