

Budget Study Session

September 7, 2011

Agenda

- Recent funding history
- 11/12 budget
- Beyond
- Other issues



Recent Funding History

- Last “good” year was 2007/o8
 - COLA funded at 4.53%
 - 2% growth
 - .38% deficit factor
 - State took away \$80M of unused restoration
- SMCCCD was below cap and still growing

Recent Funding History

- 2008/09 statutory COLA was 5.66%
 - Funded at .68% and that was removed in mid-year cuts along with \$26M of mandate reimbursements
 - Deficit factor was .51% after property tax backfill was provided in 2009/10
 - SMCCCD was only 116 FTES below funded cap



Recent Funding History

- 2009/10 saw major cuts from the state
 - 4.25% unfunded COLA
 - 3.34% workload and revenue reduction
 - Significant cuts to categoricals
 - \$703M cash deferral to next year
 - Fees raised from \$20 to \$26/unit
- SMCCCD had 1800 unfunded FTES
 - 10% cuts (\$7.3M) made to site allocations
 - 39% cuts (\$4.3M) to categoricals



Recent Funding History

- 2010/11 continued the slide
 - 0% COLA
 - .54% deficit factor at P-2
 - Additional \$200M deferrals to next year
 - Partial restoration of 2009/10 workload reduction of 2.2%
- SMCCCD passes the parcel tax (Measure G)
 - But doesn't achieve the full workload restoration
 - Additional 8.8% cuts (\$6.3M) to site allocations



2011/12 Budget

- 2011/12 gets worse
 - \$400M cuts equaling a 6.2% workload reduction
 - 1.67% unfunded COLA
 - Fees increase from \$26 to \$36/unit generating \$110M
 - \$129M in new deferrals (totaling \$961M)
- SMCCCD cuts \$4.9M in enrollment reductions
 - Assuming a \$8M operating deficit
 - But backfilled with 1X funds
 - Assuming an overall 2% reduction in FTES

2011/12 Budget Mid Year Cuts

- Mid-year cuts: Tier 1 is below \$1B revenue shortfall
 - No changes to state budgets
- Tier II is between \$1B and \$2B revenue shortfall
 - \$30 M cut to community colleges
 - Fees increase from \$36 to \$46/unit
 - \$23M cut to child care
 - \$548M cuts to UC, CSU and state agencies



2011/12 Budget Mid Year cuts

- Tier III is over \$2B revenue shortfall
 - All previous cuts PLUS
 - \$72M cuts to community colleges
 - Up to \$1.5B cuts to K-12
 - \$248M cut to K-12 transportation
 - Allows reduction of K-12 school year of up to 7 days in addition to the 5 day reduction already authorized

2011/12 Budget

- SMCCCD budget assumptions
 - 7.5% workload reduction (6.2% plus 1.3% for mid year cuts)
 - 1.5% deficit factor (covers \$30M mid year cut that isn't part of workload reduction plus \$25M fee shortfall)
 - Fees remain at \$36 until Summer 2012
 - Use of one time funds to hold off cuts for one more year
 - Measure G continues to support classes and student services and reduces the severity of cuts

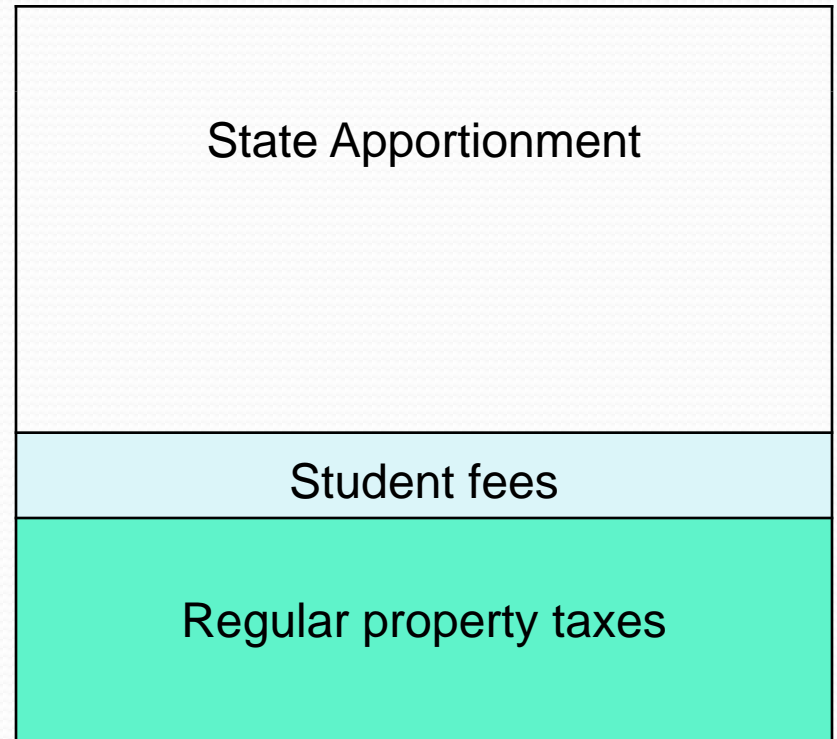
Beyond

- Further state revenue cuts in 2012/13
- District backs into Basic Aid in 2012/13
- Slight state funded enrollment growth starting in 2013/14
- Continued increase in property tax funding starting in 2013/14
- Colleges start getting positive enrollment growth funding in resource allocation model in 2014/15

Basic Aid

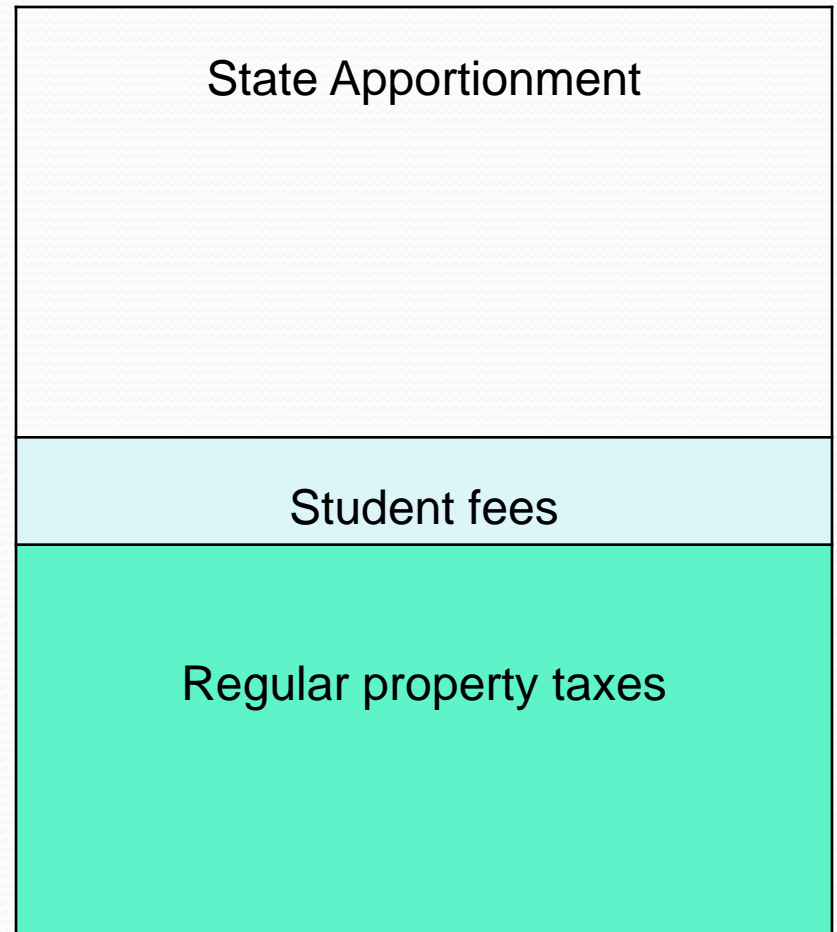
- Determine Basic Aid status of SMCCCD.

Total Base Revenue as determined by the state



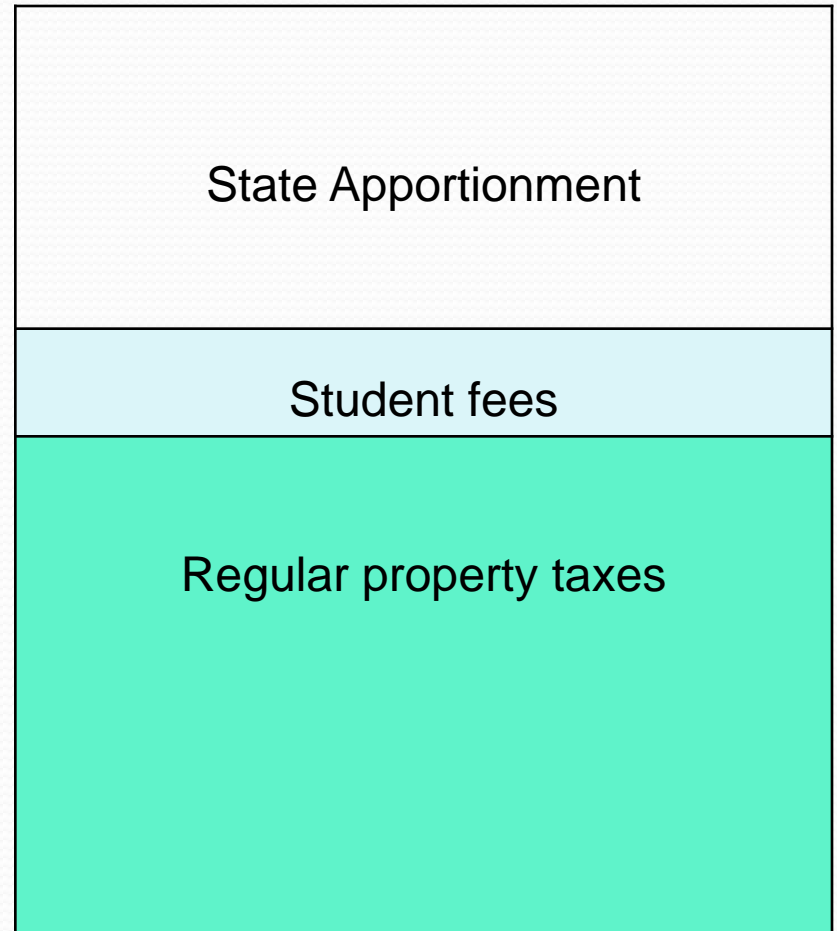
Basic Aid

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State Apportionment
Student fees
Regular property taxes

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Student fees
Regular property taxes

Basic Aid

- Backing into Basic Aid.

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Beyond

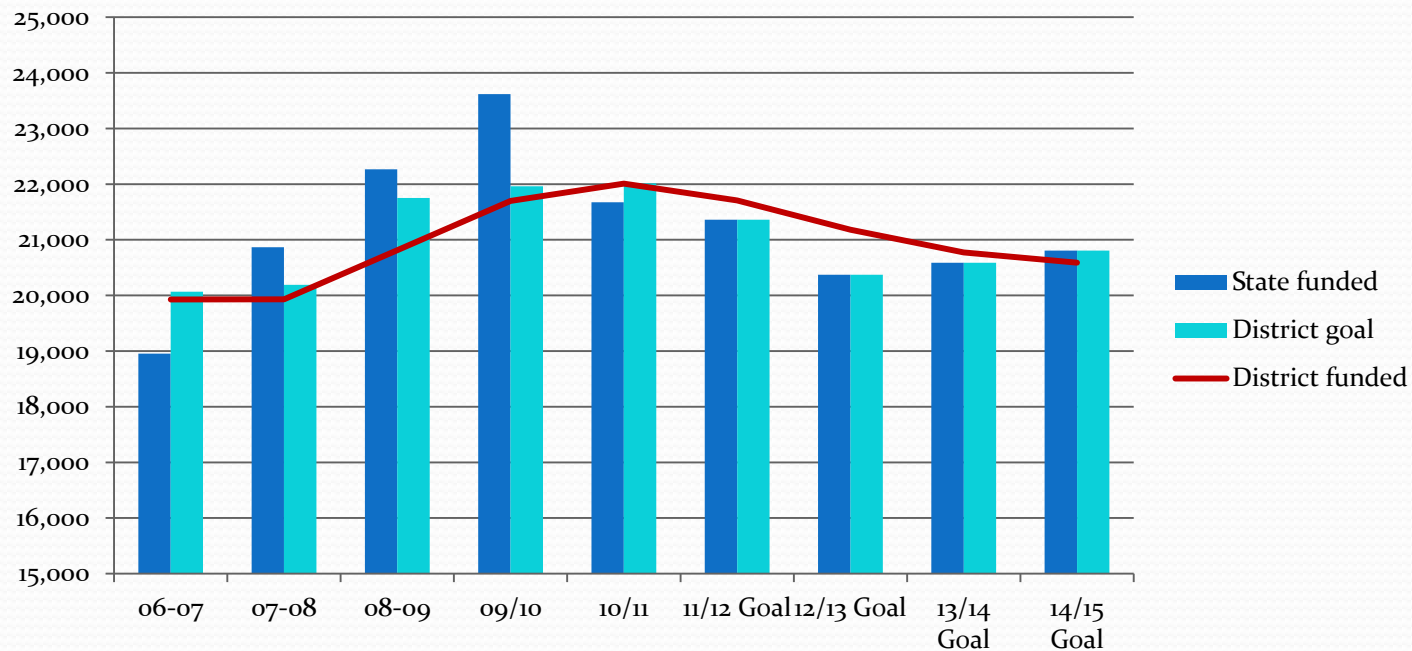
- Budget Assumptions

	12/13	13/14	14/15
FTES Growth	-2.5%	1%	1%
COLA	0%	0%	1%
Deficit Factor	3%	1%	1%
Other	Basic Aid	Last year of Measure G	

Beyond

- Resource Allocation Model smoothes the funding for the sites

FTES Funding Internally & Externally



Reserves

- Assumed mid-year cuts in 09/10 and 10/11 that didn't materialize
- Savings in utilities and other fixed costs
- Savings due to no election in 09/10
- Measure G effect on Fund 1

Reserves

- Using \$8M of reserves for 11/12
- Current projections show cuts in 12/13 of \$5.8M
- Current projections show augmentations in 13/14 and 14/15 of \$2.8M and \$3M – totaling \$5.8M
- Recommend assuming that we will use reserves in 12/13 and 13/14 and not make additional cuts or augmentations in the 3 years
- Don't need to decide yet, but will need to know in January after the governor's budget is released

Recommendations

- Sites should prepare cuts for 12/13 totaling \$5.8M
- These cuts should be prioritized
- Decisions on these cuts won't be made until the financial situation is clearer



Other Issues

- Cash flow
- RDAs
- Bond
- Investment policy
- Measure G



Questions?