

# Chancellor's Budget Forum

## October 2012

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## Areas of Discussion

**Budget Evolution**

**Prop 30 vs. Prop 38**

**Impact of Prop 30 Failure (or success of Prop 38)**

**Institutional Reflection Looking Forward**

**Budget Development Schedule**

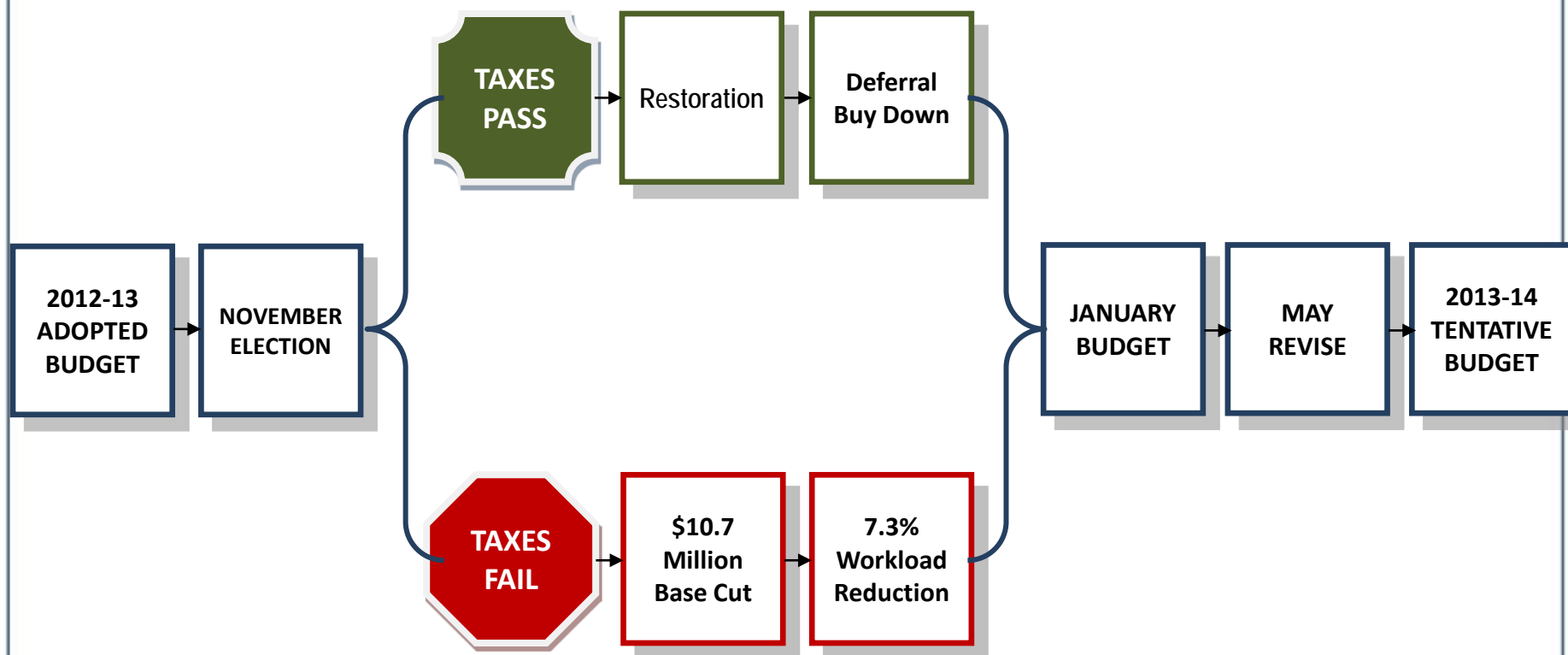
**All About Measure M**

**Looking Ahead**

## How has the Budget Picture Evolved Since January?

Budget Assumptions		January Budget Proposal	May Revise (Tentative)	Adopted State Budget (Final Coast Budget)
<b>State Deficit</b>		9.2 billion	15.7 billion	15.7 billion
<b>Prop. 30 Passes</b>	Deferral buy-down	268 million	313 million	159.9 million
	Restoration	0	0	50 million
<b>Prop. 30 Fails</b>	Base Cut	300 million	300 million	338.6 million
	Workload Reduction	5.56%	6.40%	7.30%
<b>Coast Impact</b>	Base Cut	8.2 million	9.5 million	10.7 million
	Workload Reduction	1799 FTES	2071 FTES	2361 FTES
<b>Categoricals</b>		No change	No change	No change
<b>Deficit Factor</b>	2011-12	5.4 million	4.1 million	3.1 million
<b>RDA Fund Risk</b>	2011-12	N/A	3.5 million	Hold Harmless
	2012-13	N/A	10.8 million	Hold Harmless

## 2013-14 Budget Development Schematic



## Prop 38

- ▶ 12 year across-the-board income tax increase
- ▶ Bolster K-12 and Early Childhood Education spending and buy-down State deficit
- ▶ No funds for Higher Education
- ▶ Molly Munger, prime advocate, has donated more than \$7 million

## Prop 30

- ▶ Seven year increase on income tax for high-income earners
- ▶ Four year ¼-cent increase in sales tax
- ▶ Funds would bolster K-14, helping to meet Prop 98 guarantee, and help balance the State budget
- ▶ Allocates temporary tax proceeds as follows:
  - K-12 89%
  - CCC 11%

## *What happens if Prop. 30 passes?*

- ▶ \$50 Million System Restoration
  - \$1.3 million (~1%) available to be earned by Coast (*above base*)
- ▶ Legislative Intent calls for the following to be given priority consideration:
  - Transfer
  - CTE
  - Basic Skills
- ▶ Deferral Buy Down
  - Will begin to mitigate cash flow concerns in out years

***What should  
be done with  
the Rainy  
Day Fund  
(assuming  
Prop. 30  
passes)?***

- ▶ Return campus contributions
  - For purposes of Restoration
- ▶ Rebuild General Reserve
  - Move toward policy goal of 7%
- ▶ Maintain Balance of Rainy Day fund going forward
  - Until such a time that economy is predictable and stable

***What  
happens if  
Prop. 30  
fails?***

- ▶ \$10.7 million Base Cut
- ▶ 7.3% Workload Reduction
- ▶ 2361 fewer funded FTES
- ▶ Legislative Intent calls for the following to be protected:
  - Transfer
  - CTE
  - Basic Skills
- ▶ An estimated \$16 million imbalance emerges in the 2013-14 FY.



***Post election  
reflection –  
how do we  
move  
forward?***

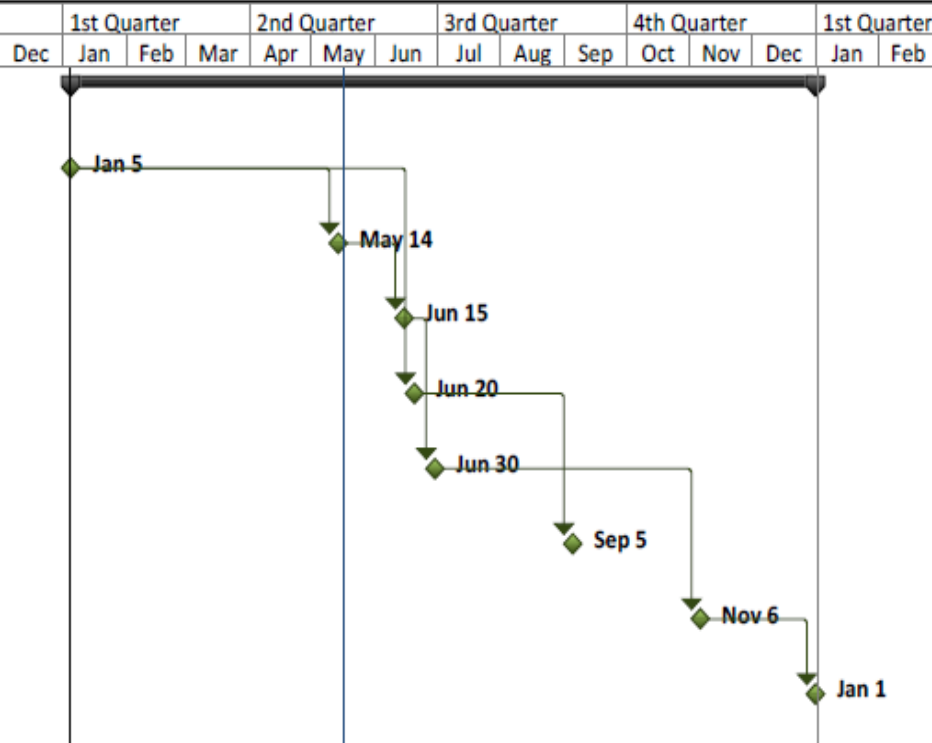
- ▶ Why should this be done?
  - Is it essential to student learning (e.g., access, retention and success)?
- ▶ What are the consequences of not doing it?
- ▶ What are the alternatives?
- ▶ Can it be done another way?
- ▶ Can it be done more efficiently with the same level of effectiveness?
- ▶ Should it be suspended or eliminated?
- ▶ What (else) can be done with the budget available?

## What is Measure M?

- ▶ A \$698 million General Obligation bond measure on the November ballot
- ▶ What will it do?
  - Allow for significant modernization and renovation of facilities left untouched by Measure C
  - Create endowments for technology and maintenance needs
  - Allow the district to leverage matching state resources for certain eligible facilities

## Critical Path Budget Development Calendar

2012-13 Budget Development Calendar

ID	Task Name	Start	Finish	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter			1st Quarter			
				Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
1	<b>Coast Budget Development 2012-2013</b>	<b>Thu 1/5/12</b>	<b>Tue 1/1/13</b>																
2	Governor's Budget Proposal Released	Thu 1/5/12	Thu 1/5/12	Jan 5															
3	May Revise Released	Mon 5/14/12	Mon 5/14/12					May 14											
4	Legislature sends budget to Governor	Fri 6/15/12	Fri 6/15/12						Jun 15										
5	Coast Board Adopt Tentative Budget	Wed 6/20/12	Wed 6/20/12							Jun 20									
6	Governor Signs state budget into law	Sat 6/30/12	Sat 6/30/12								Jun 30								
7	Coast Board Adopts Final Budget	Wed 9/5/12	Wed 9/5/12									Sep 5							
8	General Election (Gov. Tax Package)	Tue 11/6/12	Tue 11/6/12										Nov 6						
9	Trigger reductions if Rev. targets not met	Tue 1/1/13	Tue 1/1/13														Jan 1		

## *What risks loom as we look ahead?*

- ▶ Tax Measure
  - Voter willingness to pass November Tax?
  - Munger vs. Brown – one could cancel the other!
- ▶ Revenues are highly variable, with or without Prop. 30
- ▶ Workload Reduction of 7.3% will be decided in November
- ▶ Mid-year trigger pulled January 1
  - Reduction if taxes fail
  - Restoration if taxes pass
- ▶ Cash Flow
  - Only 40% of apportionment revenue available through November
- ▶ Student fee shortfall
  - Increased BOG waivers as fees go to \$46/unit
- ▶ Enrollment declines possible in some districts, particularly rural colleges with a proposal to triple neighboring state student fees to \$138/unit