

Ventura County Community College District

Budget Update



January 17, 2012

Governor's Tax Proposal

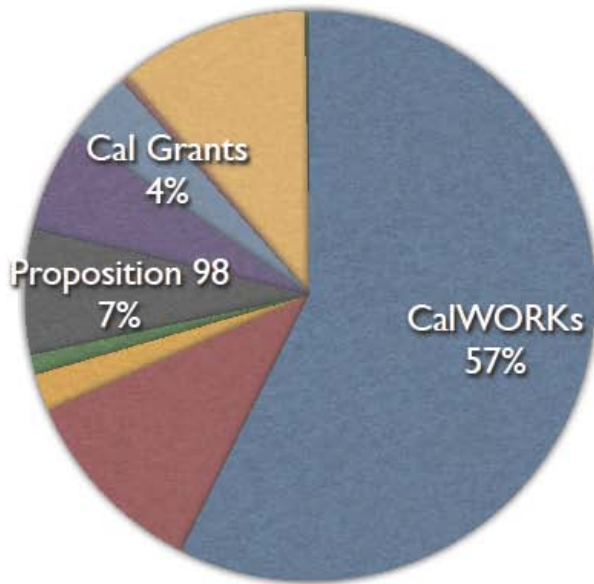
Governor plans to collect signatures for an initiative to temporarily increase taxes:

- on the November 6, 2012 ballot
- simple majority required
- raises sales tax by 0.5% from January 1, 2013 through December 31, 2016
- raises personal income taxes on individuals > \$250,000 from 2012 through 2016 tax years

(If passed, would bring State GF Revenue from PIT to 62% of total)



2012: Governor's Solutions



\$4.2 billion in cuts



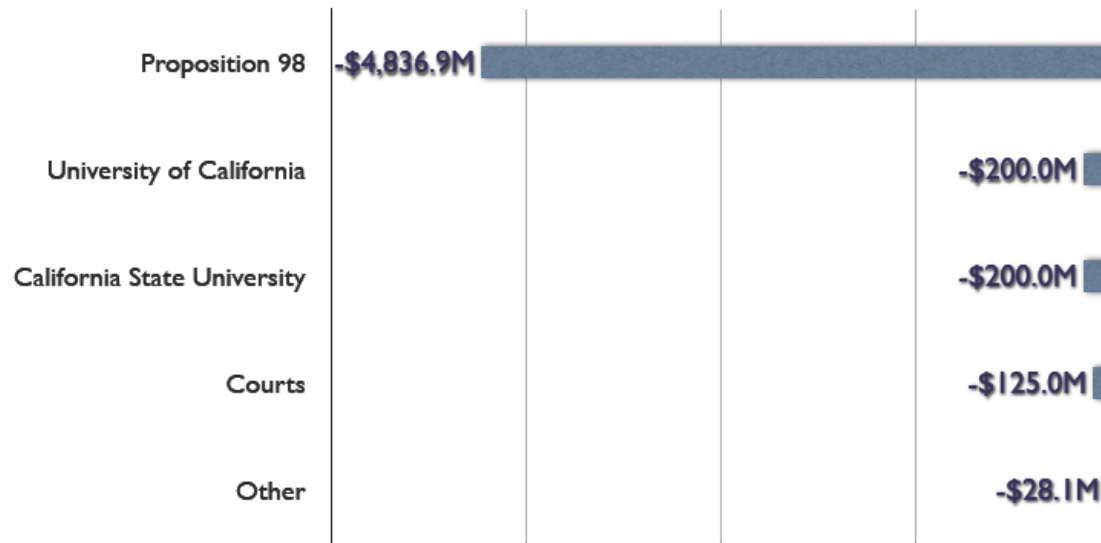
\$6.9 billion in revenues



Wednesday, January 11, 12

The New Budget Triggers

If the revenue targets associated with the governor's tax plan are not met, triggered cuts would be made:



Wednesday, January 11, 12

FY13 CCC System Budget

- ▶ **Governor's initial proposal assumes full passage of tax increases**
 - **CCC System revenue is flat (no increase, no decrease)**
 - **No Growth, no COLA, no Restoration to Categoricals**
 - **\$218 million to buy down deferrals (currently \$961 million)**
 - **Consolidation of Categorical Funds (DSPA and Foster Care exempt)**
 - **No Student Fee increases**
- ▶ **Assuming Failure to pass tax initiatives**
 - **Mid-year Trigger cuts of \$264 million reduction to CCC System**

FY13 VCCCD Budget

Assuming full passage of tax increases

Revenue is flat (no increase, no decrease)

FY12 deficit **\$ 3 million**

(FY12 budgeted expenditures exceed current budgeted revenue)

Increased costs (inflationary) **\$ 3 million**

Total FY13 shortfall **\$6 million**

Assuming failure to pass tax initiatives

Mid-year Trigger cuts **\$6.2 million**

Total Potential FY13 shortfall **\$12.2 million**

District Historical FTES

▶ Declining Funded Cap (FTES)

FY09	FY10	FY11	FY12 (budgeted)*	FY13 (projected passage)*	FY13 (triggers)
26,847	25,841	26,496	24,477	24,477	23,116

***FY12 includes 6.2% workload reduction plus trigger cuts; FY13 projects 5.56% workload reduction based on revenue reduction of \$6.2 million if triggers are pulled.**

▶ Unfunded FTES

FY09	FY10	FY11	FY12 (projected)	FY13 (projected passage)**	FY13 (triggers)
2,501	3,377	1,170	1,492	1,492	2,853

****without class schedule reductions.**

FY12 VCCCD Reserves

State Required Minimum – 5%	\$6,916,541
Revenue Shortfall Contingency	\$5,000,000
Unallocated	<u>\$13,265,050</u>
Total as of 06/30/2011	\$25,181,591
FY12 Adoption and Mid-year trigger	(\$2,938,133)
Board Approved use of reserves	<u>(\$302,000)</u>
Projected Reserves as of 01/31/2012	\$21,941,458

**FY12 P1 Projected Enrollment Fee shortfall of \$100 million (\$2.3 million to VCCCD)

VCCCD FY13 Budget Development

	<u>Passage</u>	<u>Non Passage</u>
Shortfall	\$6,000,000	\$12,200,000
If we budget assuming passage, and it doesn't occur:	\$6,200,000 use of reserves	
Projected Reserves as of 07/01/2012		\$19,641,458
Assumed use of reserves for entire FY13 trigger		<u>(\$6,200,000)</u>
Total as of 06/30/2013		\$13,441,458

FY14 Potential Shortfall

FY13 Shortfall	\$6.2 million
Increased costs (inflationary)	<u>\$ 3 – 4 million</u>
Total FY14 Shortfall	\$9.2 – \$10.2 million

VCCCD FY13 Budget Assumption

What assumption of a budget shortfall will be used for budget development?

\$6 million, \$12.2 million, or somewhere in between?

District Cash needs

- ▶ Monthly cash disbursements (payroll, benefits, and vendors) = \$15–20 million
- ▶ FY12 Deferrals (\$961 million system)=
\$19.2 VCCCD
- ▶ FY13 Projected Deferrals (\$743 million system)=
\$14.8 VCCCD (assumes tax passage)

Budget Risks

- ▶ Failure of Tax Initiative to make it to ballot and then to pass (Tax measure is a political uncertainty and costly)
- ▶ If passed, tax measure may not yield full \$6.9 billion (LAO suggests perhaps only \$4.8 billion)
- ▶ Planning will be difficult. Workload reduction of 5.56% will be decided in November
- ▶ Student fee shortage with more BOG waivers
- ▶ Property tax shortfall, particularly in light of RDA projections

So... we will need to decide what to risk in reserves and what shortfall to budget