Governor’s Proposed 2014–15 Budget

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Board of Trustees Meeting
January 21, 2014
Overview

- State and District Budget Process
- Governor’s Budget Highlights
- District Impact
- Closing Points and Considerations
State Budget Process

- January 10: Governor’s Budget
- Late Jan – Feb: LAO Analysis
- March – May: Legislative Subcommittees
- May 15: May Revise
- June 15: Legislature Budget Deadline
- Mid – Late Jun: Governor Signs Budget
District Process – Assumptions

January/February
- Recurring Base
- Governor's Budget
- First Apportionment – P1

March/April – Preliminary Assumptions
- Revenue Assumptions:
  - FTES Target, Restoration/Growth, COLA
  - Deficits, Trigger Reductions, Other Revenue
- Expenditure Assumptions:
  - FON, Positions FTE Level, Step/Column, Benefit Increases
  - Program Review Resource Requests
  - Utilities, OPEB, Other Operational
  - Other funds, Self Insurance, Auxiliary
- Current Year Preliminary Financial Projections

Governor’s Budget
Assumptions
District Process – Tentative

March/April – Assumptions

May/June – Tentative Budget

No Later than July 1 – per Title 5, Sec 58305(a)

- May Revise – State Budget
- Assumption Adjustments/Other Obligations
- Updated Financial Projections
District Process – Final Adopted

May/June – Tentative Budget

July – Confirm/adjust assumptions
- Begin Year–End Close

August/September – Adopted Budget

By Sep 15th – Per Title 5, Sec 58305(c)
- Final Year–End Closing Figures
- Final Apportionment– P2
- Public Hearing
Governor’s Budget Highlights

- Reinvestment in education continues
  - 3% Workload restoration (not guaranteed; new formula?)
  - .86% COLA (District needs 2% for annual inflationary increases)
  - $100 million each – SSSP and Student Equity
  - $175 million – Capital outlay, deferred maintenance

- Other areas of improvement and efficiencies
  - $50 million – innovative models in education
  - $2.5 million – improving statewide performance
  - Adult education commitment
  - Enhanced categorical flex – EOPS, CalWORKS, and Basic Skills
Governor’s Budget Highlights

- Prudent State approach during temp stability
  - Paying down of debt using one–time budget surplus
  - Increasing reserves to protect from volatile revenue swings
  - Stabilization of RDA (redevelopment agency) backfill
  - Planning to address significant unfunded retiree liability

- Recognizing the realities and hedging against the State’s “boom and bust” cycle
  - Volatile tax base with capital gains
  - Temporary taxes of Prop 30 – Phase out 2016
District Impact

- Two major exposure areas and challenges to address in 2014–15
  1. Enrollment challenges
     - Borrowing to meet base – soft enrollments
     - Lower productivity – more costly to run classes than in prior years
  2. Annual inflationary costs
     - Need 2% COLA to meet obligations of ~$2+ million
     - Health Benefits $1.1 million, Step/Column $770k, CalPERS $250k, retiree benefits, utilities, services
     - Greater student investment – Good News, but.... 3:1 Match Bad News
Closing Points

- Many reasons for prudence and to proceed with caution
  - State economic turnaround is based on volatile and temporary revenues; Prop 30
  - LAO/DOF warn that recessions occur every 5–7 years…we are 4.5 years into our “recovery” from the last recession
  - Local District challenges – enrollment and automatic inflationary increases may result in a deficit budget if higher COLA is not provided

*Focus on structural corrections, efficiencies, and improvements to better position and strengthen the District during temporary stability period.*