

RIVERSIDE COMMUNITY COLLEGE DISTRICT

*District Budget Advisory Council
Meeting of May 8, 2009
Alumni House, Living Room
9:00 – 11:00 a.m.*

MINUTES

Task Force Members

Present

Jim Buysse, Vice Chancellor, Administration and Finance
Aaron Brown, Associate Vice Chancellor, Finance
Reagan Romali, Vice President, Business Services (Moreno Valley)
Becky Elam, Vice President, Business Services (Riverside)
Norm Godin, Vice President, Business Services (Norco)
Beth Gomez, Budget Manager
Michael McQuead, Associate Professor, CIS (Moreno Valley)
Pam Kollar, Academic Evaluations Specialist (Norco)
Carmen Payne, Secretary IV, Health Sciences (Moreno Valley)
Peter Boelman, Associate Professor, Economics, Social & Behavioral Sciences (Norco)
Vickie Vega (Recorder)

Absent

Cindy Taylor, Outreach/Passport to College Coordinator (Riverside)
Ajené Wilcoxson, Associate Professor, Business Administration (Riverside)
Meghan Skaggs, Treasurer, ASRCC (Norco)
Angel Lopez, Chief of Staff, ASRCC (Norco)

Guest Speaker

Joyce Black

I. Meeting was called to order

II. Minutes of April 24, 2009.

The minutes of the April 24, 2009 meeting were reviewed and approved without change.

III. Guest Speaker

Ms. Black shared her views on efficiency.

- What “productivity” means to faculty – Perceived as a negative term
- She looked at the baselines for Riverside and Moreno Valley. The State uses 17 ½-weeks and 525 faculty load.

- The goal is to look at what you can do internally
- Sections are what cost you
- Set caps section at a standard
 - It is a balancing act - look at each discipline and set a standard
- Productivity is not a nasty word
 - It is planning – planning will lead to cost efficiency
- The class schedules should be mailed. 80% of the students at RCC are local
- Sit down and discuss with departments – Example - First census enrollment is at 28, let in 3 to 5 students over cap
- The “75/25 goal” is not always applicable, some programs need 100% full-time faculty and others need instructors from outside with current experience
- Look at multiple sections for efficiency
- Look at student needs

Question: What happens when you increase enrollment fee to \$40?

Answer:

- You loose students initially
- Talk to faculty about textbook costs
- Keep classes balanced
- Offer second level classes (planning)
- It is going to have a devastating affect on enrollment

Question: If we have FTES cutbacks, how should we proceed?

Answer:

- Don't add sections, it adds costs
- Look at what could be eliminated, go after the multiple sections
- It is ok to be over cap by a certain amount, if you are productive

Question: Do you recommend a “skilled surgeon” approach?

Answer: Take out an inter-session if you have to. Tighten up on multiple sections and do not go after the second level. Students will take what is left. VP's should work with Deans, it will balance out.

Question: Room sizes and how that will affect faculty.

Answer: The older faculty are the ones that seem to like the larger rooms, you do not really see it any more with the new faculty. 15 square foot per student station. It affects cap loads. Study

tutorial space, you have to balance. Go with square footage or look at sections, you need to figure a balance. The State looks at both and puts in WSCH. Cap loads now have point system (very complex).

IV. State Budget Update

- Dr. Buysse distributed his Measure C “White Paper”. A document he wrote in 2004 shortly after the bonds were approved by voters (see handout Managing the Bonds). The District received an authorization for \$350 million. To date \$195 million has been issued, all of the current issuances have been committed. We will have to think about another issuance in about a year or so. If the State does not have the money for our 5-year plan, we will be in trouble. Things have a way of playing differently than intended. If inflation kicks in, it could be a problem for the next issuance.
- Dr. Buysse updated group on the State financial situation
 - State cash flow is worse than projected a month ago. News continues to be negative. Prop 98 guarantee is being lowered. \$400 million most likely to be cut from the community college system (see George Will, Jim Miller and Scott Lay handouts)
 - Distributed the CCFS-320 report showing that we are over our funded level of FTES (see April CCFS-320 report, CASBO newsbreak, and Erik Skinner handouts). Total FTES 31,712.63, credit of 31,404.26 – Unfunded 4,308.57 (15.9% over cap). Noncredit 308.37 – Unfunded 102.58 (49.8% over cap). We are going to have to wrestle with this issue as an institution. To get state funding you have to grow in enrollments, this will be hard to do for Moreno Valley and Norco. This coming year is going to be a tough one.
- New Centers discussion
 - How much can you manage? How quickly can you move forward? We have to be sensible
 - Centers must be 13 miles apart
 - Additional \$1 million in operational funding for center status. Until Center recognition the affiliated college pays for the costs
 - Will put on Agenda for future discussion

V. Next Meeting

- May 22, 2009 – 9:00 to 11:00 a.m. – DL 409

His dad is married a creep stepfather — who, it turns out, murdered his father. So “H” plots revenge.

Tragedies such as this pepper the evening news. But this story was actually written more than 400 years ago by William Shakespeare — the tale of Hamlet, Prince of Denmark.

It is timeless stories like Hamlet and Romeo and Juliet — with characters that ring true in any age — that draw young people to the Bard of Avon.

“(Shakespeare’s plays) are just as relevant as in the Elizabethan era and will continue to be relevant,” said Megan Pickrell, 21, a theater student at Cal State Fullerton. “There will always be

cast members Shakespeare opens Thursday at the Bowl. She will play Miranda in “The Tempest” and a number of roles in “Hamlet.”

She and a couple of her cast-mates took time to consider if and how Shakespeare is relevant to young theater-goers whose tastes run more to “Fast and Furious” or Fall Out Boy.

For the youthful actors, the appeal is a no-brainer. In any age, Shakespeare is the ultimate acting experience.

“When it comes to live theater,

written,” he said. Several of the cast members have studied Shakespeare on the Bard’s home turf in Oxford, England. Pickrell spent last summer at the British American Drama Academy in Oxford, England. “Shakespeare is what I want to do for the rest of my life,” she said.

SEE THE BARD /D2

PE 5/4/09

Ruling favors city as state eyes funds

BY JIM MILLER
SACRAMENTO BUREAU

SACRAMENTO — A Sacramento County judge has sided with the Moreno Valley Redevelopment Agency and other plaintiffs in a lawsuit that seeks to block the state from taking \$350 million in redevelopment money as part of the 2008-09 budget package.

The state Department of Finance could appeal. For now, though, the ruling punches another hole in state finances at a time when it already faces a shortfall between spending and revenue of at least \$8 billion. The gap will increase by \$6 billion if voters reject propositions on the May 19 special-election ballot.

There are 397 active community

redemption agencies in the state. They pay for projects from the growth in tax revenue as an area’s assessed value increases.

The state budget approved in September included a one-time shift of redevelopment money to reduce the general fund’s obligation to schools.

In a December lawsuit, redevelopment agencies claimed the shift was unconstitutional. Moreno Valley’s Redevelopment Agency is a plaintiff in the case, as are Madera’s redevelopment agency and the California Redevelopment Association.

“Obviously, the state is dealing with very difficult financial problems, but taking away local government redevelopment funds is un-

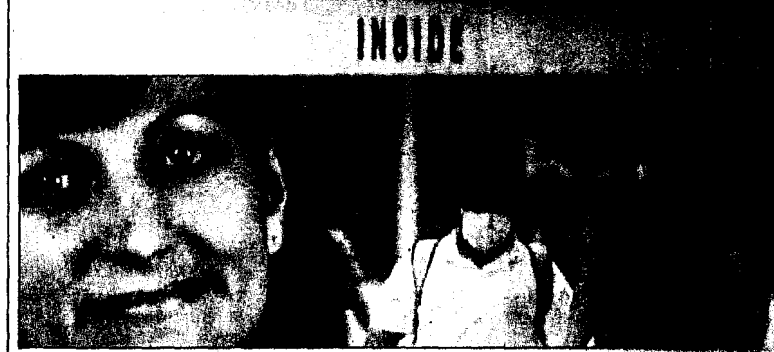
constitutional,” John Shirey, executive director of the California Redevelopment Association, said in a statement.

Administration officials have defended the move.

In a letter to redevelopment officials Sept. 5, Gov. Arnold Schwarzenegger said that redevelopment agencies had received \$4.46 billion in revenue in 2006-07, up more than half a billion dollars from the year before. The budget also would leave untouched money for cities, counties and transportation, he wrote.

Thursday, H.D. Palmer, a spokesman for the state Department of Finance, said, “We are reviewing the court’s ruling and evaluating our options.”

VIETNAMESE PHOTOGRAPHERS
is one of the only
The others are David



SOUND OFF ON SWINE FLU

Schools have closed. Parents are scrambling for day care. Kids are frightened. But common-sense dialogue on swine flu can be tough to find and the furor. Share your thoughts, concerns and advice with other parents on Jennifer Dean’s **MOM-ARAMA** blog. Log on to **PE.com**

Crossword answers.....D2	Comics.....D6-7	Crossword.....
Obituaries.....D3	Sudoku.....D6	Dr. Donohue.....
Television.....D4	Bridge.....D6	Annie’s Mailbox.....

PE
5/4/09

STATE OF STAGNATION

'Centrist' evasions have all but destroyed California

California's increasingly severe and largely self-inflicted economic crisis will deepen on May 19 if, as is probable and desirable, voters reject most of the ballot measures drafted as part of a "solution" to the state's budget deficit. They would make matters worse. National economic revival is being impeded because one-eighth of the nation's population lives in a state that is driving itself into permanent stagnation. California's perennial boast — that it is the incubator of America's future — now has an increasingly dark urgency.

Under Arnold Schwarzenegger, the best governor the states contiguous to California have ever had, people and businesses have been relocating to those states. For four consecutive years, more Americans have moved out of California than have moved in. Business costs are more than 20 percent higher than the average state's. In the last decade, net out-migration of Americans has been 1.4 million. California is exporting talent while importing Mexico's poverty. The latter is not California's fault; the former is.

LIBERAL ORTHODOXY

X If, since 1990, state spending increases had been held to the inflation rate plus population growth, the state would have a \$15 billion surplus instead of a \$42 billion budget deficit, which is larger than the budgets of all but 10 states. Since 1990, the number of state employees has increased by more than a third. In Schwarzenegger's less than six years as governor, per capita government spending, adjusted for inflation, has increased nearly 20 percent.

Liberal orthodoxy has made the state dependent on a volatile source of revenues — high income tax rates on the wealthy. In 2006, the top 1 percent of earners paid 48 percent of the income taxes. California's income and sales



GEORGE WILL

taxes are among the nation's highest and its business conditions among the worst, as measured by 16 variables directly influenced by the Legislature. Unemployment, the nation's fourth highest, is 11.2 percent.

Required by law to balance the budget, the Legislature has "solved" the problem by, among other things, increasing the income, sales, gas and vehicle taxes. This, although one rationale for the federal government's gargantuan "stimulus" was to spare states the need to raise taxes which, in California, will more than vitiate the stimulus.

Prop. 1A would create a complicated — hence probably porous — spending cap, and a rainy day fund. Realists, however, do not trust the Legislature to obey the law, which may be why some public employee unions cynically support 1A. Another May 19 proposition, opaquely titled the "Lottery Modernization Act," would authorize borrowing \$5 billion from future hypothetical lottery receipts. The title is a measure of the political class' meretriciousness.

HYPOTHETICAL RESTRAINT

If voters pass 1A's hypothetical restraint on government spending, their reward will be two extra years of actual income, sales and vehicle tax increases. The increases were supposed to be for just two years. Voters are being warned that if they reject the propositions, there might have to be \$14 billion in spending cuts. (Note the \$15 billion number four

paragraphs above.) Even teachers might be laid off. California teachers — the nation's highest paid, with salaries about 25 percent above the national average — are emblematic of the grip employees unions have on the state, where 57 percent of government workers are unionized (the national average is 37 percent).

Flinching from serious budget cutting, and from confronting public employees unions, some Californians focus on process questions. They devise candidate-selection rules designed to diminish the role of parties, thereby supposedly making more likely the election of "moderates" amenable to even more tax increases.

A DRAG ON THE NATION

But what actually ails California is centrist evasions. The state's crisis has been caused by "moderation," understood as splitting the difference between extreme liberalism and hyperliberalism, a "reasonableness" that merely moderates the speed at which the ever-expanding public sector suffocates the private sector.

California has become liberalism's laboratory, in which the case for fiscal conservatism is being confirmed. The state is a slow learner and hence will remain a drag on the nation's economy. But it will be a net benefit to the nation if the federal government and other state governments profit from California's negative example, which Californians can make more vividly instructive by voting down the propositions on May 19.

Remember the story of the mule that paid attention only when walloped by a two-by-four? The Democratic-controlled state Legislature is like that. Fortunately, it has handed voters some two-by-fours — the initiatives. Their resounding rejection should get Sacramento's attention.

WASHINGTON POST WRITERS GROUP

Buysse, Jim

From: Skinner, Erik [eskinner@CCCCO.EDU]
Sent: Thursday, April 30, 2009 6:01 PM
To: SO2CBO@LISTSERV.CCCNEXT.NET
Subject: Budget Update/P-2 Update--April 30, 2009
Attachments: Enrollment Surge April 30 News Release.doc

Dear Colleagues:

Greetings. Here is the latest from Sacramento:

Budget Update

There is little to report from Sacramento in terms of action in the state budget process. While legislative budget subcommittees are holding hearings to discuss various sectors of the budget, they are largely marking time until they have a more accurate sense of the state's fiscal circumstances.

It is widely believed that the state's fiscal condition has deteriorated since the enactment of the February budget package, however, events scheduled for later this month will make clear by just how much. Specifically, the May 19th Special Election and the Governor's May Revision, scheduled for release on May 28, will be critical in determining the severity of the state's budget shortfall: ✓

- Special Election ballot measures will determine the fate of \$6 billion the state is counting on to balance the 2009-10 budget. Proposition 1 C would authorize changes to the State Lottery and provide the state with \$5 billion in revenue in 2009-10 (and another \$5 billion in 2010-11). Propositions 1D and 1E would generate state savings of nearly \$1 billion by redirecting special funds currently dedicated to early childhood development and mental health, respectively. ✓
- The May Revision will include updated revenue projections that will provide the framework for upcoming budget deliberations. In a March 13 report, the Legislative Analyst's Office forecast that state revenues for 2009-10 would fall \$8 billion below estimates used in the February budget package. They indicated that a \$2 billion budgeted reserve would mitigate this decline, leaving a \$6 billion shortfall for 2009-10. Since the time that forecast was developed, many economists have lowered their expectations for state and local economic activity in the coming year. The conventional wisdom in the Capitol is that the Governor's May Revision revenue projections will be lower, but no one knows by how much. _____
- Taken together, the ballot measures and LAO's revenue projections present a threat of \$12 billion to the 2009-10 state budget. It is quite possible that further erosions in revenue estimates could make this number grow. The only silver lining at the moment is that the infusion of federal stimulus dollars provides an opportunity for state leaders to get creative and generate some temporary budget solutions.

This year is unusual in that a 2009-10 Budget Act has already been enacted, well in advance of the beginning of the 2009-10 fiscal year. However, it is clear that state leaders will need to significantly amend this budget plan in order to reflect deteriorating revenues and possibly the outcomes of the special election (if any of Propositions 1C, 1D, or 1E fail). While nobody knows exactly how the next round of budget deliberations will unfold, it appears most likely that the process will be modeled on the usual budget process. That is, the Governor's May Revision will set the stage for the deliberations. Next the State Senate and State Assembly will each consider the May Revision and adopt its own version of

the budget. Then the two houses will convene a Budget Conference Committee to merge the Senate and Assembly versions. At the tail end of this of this process, the “Big Five”—consisting Senate and Assembly leaders from both parties and the Governor—will meet privately to strike a deal to resolve any remaining differences. The goal of this process is to have a budget in place by June 30, prior to the start of the new fiscal year.

Given the rigid ideological stances in the last round of budget deliberations, and the fact that many budget solutions have been exhausted, many observers are predicting that the upcoming budget battles will be lengthy and heated.

P-2 Update

Staff in the State Chancellor’s Office have just completed the tabulation of districts’ P-2 reports. While we will follow up with more complete information, I want to provide you with an early heads up to assist you in your planning. Here are the highlights:

- As of P-2, total FTES for 2008-09 has increased by 6.4 percent, or roughly 75,000 FTES, compared to 2007-08 levels ✓
- This increase exceeds growth funding provided in the 2008-09 state budget and results in unfunded enrollments of approximately 50,800 FTES. The associated deficit in growth funding is \$225 million.
- Local property taxes are \$55.3 million below budget act estimates. That shortfall has worsened from the P-1 estimate of \$33 million.
- Student fees are \$8 million above budget act estimates.
- There is a \$45 million shortfall in apportionment revenues resulting from base reductions taken in 2007-08.
- Taken together the shortfalls in local revenues (local property taxes and student fees) and base apportionments create a deficit of \$92.1 million and a deficit coefficient of .98389986.

Today we reported this data to the Department of Finance to assist them in building the May Revision. In the coming days and weeks, we will be meeting with Administration representatives to discuss the significant funding shortfalls in local property taxes, growth funds, and base funding. We will be seeking whatever relief we can get in the current year and advocating for adjustments in the 2009-10 budget to prevent these shortfalls from repeating next year. These advocacy conversations will also take place with the Legislature as the budget process unfolds.

Budget Advocacy

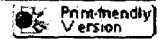
While the state’s fiscal circumstances will certainly make our advocacy more difficult, the community colleges have a compelling case to make. Across the state, community colleges are rising to the challenge in these hard times and helping record numbers of Californians in need of education and training. Unemployed Californians are turning to the community colleges to access the training they need to secure new jobs. Students displaced from UC and CSU due to restricted admissions are coming to the community colleges to begin their higher education. Veterans are making the community colleges their first choice for pursuing a higher education. Businesses in growing sectors, such as green energy and health care, are relying on the community colleges to meet their need for highly-skilled workers.

The attached press release from Chancellor Scott uses the new P-2 enrollment data to underscore how the colleges are meeting these critical needs and also how enrollment demand is far outpacing available resources. The press release translates the unfunded enrollment growth, property tax shortfall, and base shortfall into the number of students that the colleges are serving without funding. The resulting figure, 140,000 students on a headcount basis, is a dramatic statement of the severe fiscal strains colleges are under as they attempt to meet surging demand. At the local level this translates into overflowing classrooms, closed course sections, and long waiting lists.

Fortunately, the Governor and the Legislature are keenly aware of the important work the community colleges are performing to help Californians in this time of need. This was evident in the budget package enacted in February. However, with additional budget threats on the horizon, this is the time to renew advocacy efforts at the state and local level. More to follow on this topic shortly.

Regards,

Erik Skinner
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fax: 916-323-8245



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CASBO newsbreak

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2009-24

May Revision taking all cuts approach?

May 6, 2009

By *Dennis Meyers, CASBO Assistant Executive Director, Advocacy & Policy*

In a short briefing with education stakeholders held this afternoon, representatives from the governor's office laid out scenarios that they are likely to address in the upcoming May Revision.

Without any updated revenue or spending figures to work from, the governor's office is looking at what would happen if the legislative analyst's estimates are correct. In his March update, the analyst estimated that the Proposition 98 guarantee would fall another \$3.6 billion in 2009-10. While we have been reporting that legislators and others are inclined to merely lower school funding to whatever is the level of the guarantee, administration officials in today's briefing didn't even flinch when mentioning that possibility. Obviously absent from the briefing was any sign from the administration that schools have given more than their fair share and will be spared the full brunt of further declines in revenue.

One bit of good news that came out of the briefing was an indication that the May Revision will target 2009-10 only and not add to the current year cuts made in February. Or course, we will have to wait and see how that actually plays out.

By the time the actual May Revision comes out, there may be updated revenue estimates available to the Department of Finance. Until those estimates are prepared by Finance, they are using the LAO numbers. So, what would \$3.6 billion equate to? The administration laid out several statistical comparisons.

NOTE: The issues outlined below are not Department of Finance proposals; but mathematical calculations of the sizeable impact of \$3.6 billion in further cuts to schools.

What does \$3.6 billion equal? According to the Department of Finance:

- Laying off 51,429 teachers
- Closing every school for 18.5 days
- Increasing class sizes statewide by 17 percent
- Reducing per pupil spending \$610
- Laying off 90,000 classified employees
- Eliminating ALL music, art and CTE programs

Also noted by Department of Finance was the fact that if the entire \$3.6 billion was taken out of the flexible categorical programs, only \$900 million would be left for LEAs to use for local priorities. Or, if applying the \$3.6 billion reduction to ALL categorical programs, it would result in an across-the-board cut of one-third.

What today's briefing represented was not the actual May Revision but a courtesy extended by the governor's office to the education community to keep everyone in the loop on what may be on the horizon. They are also briefing all of the other stakeholder groups in other segments of the budget. ✓

What to do now?

The timing of this briefing was helpful in that it came before May 15 and before disbursement of the federal ARRA funds to schools. As we have been writing, since more cuts are likely to come, LEAs must proceed cautiously when committing flexible categorical funds, ARRA funds, and when considering rescinding layoff notices before the May 15 deadline.

Proceed cautiously and don't over-commit.

We'll keep you posted.

All CASBO NewsBreaks are posted on the CASBO website at www.casbo.org. The legislative status indicated for the bills in this report reflect the location of each of these measures as of the day the report was posted. To get up-to-the-minute status of bills including additional information on bills, bill text, analyses, legislative vote records, and veto messages, log on to the state's Official Legislative Information website at www.leginfo.ca.gov. For other questions regarding topics covered, you may contact Dennis Meyers, CASBO Assistant Executive Director, Advocacy and Policy, at dmeyers@casbo.org.

California Community Colleges 2008 - 2009 APPORTIONMENT ATTENDANCE REPORT State Residents

Date Due in
Chancellor's Office

Second Period
(April 30)

District: Riverside Community College District

N \$20m

Riverside Community College

Part I. Full-Time Equivalent Student	EDP No.	Attendance FTES * (and Nonresidents Attending Noncredit Courses)	Factored FTES
A. Summer Intersession (Summer 2008 Only)			
1. Noncredit (Parts IV.A.1. + VII.A.3.)	01	49.09	49.09
2. Credit (Parts III.A.1. + IV.A.2. + VI.A.1.)	02	2,647.43	2,647.43
B. Summer Intersession (Summer 2009 - Prior to July 1, 2009)			
1. Noncredit (Parts IV.B.1. + VII.B.3.)	03	0.00	0.00
2. Credit (Parts III.B.1. + IV.B.2. + VI.B.1.)	04	0.00	0.00
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours (Part II.)	05	19,760.87	19,760.87
(b) Daily Census Contact Hours (Part III.)	06	3,435.37	3,435.37
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit (Part IV.C.)	07	259.28	259.28
(b) Credit (Part IV.D.)	08	2,169.79	2,169.79
3. Independent Study/Work Experience Education Courses			
(a) Weekly Census Procedure Courses (Part V.) (Credit)	09	1,858.23	1,858.23
(b) Daily Census Procedure Courses (Part VI.) (Credit)	10	1,532.57	1,532.57
(c) Noncredit Independent Study/Distance Education Courses (Part VII.C.)	11	0.00	0.00
D. Total FTES	12	31,712.63	31,712.63
SUPPLEMENTAL INFORMATION ***			
E. In-Service Training Courses (FTES)	13	550.00	
F.	14		
	15		
G.	16		
	17		
H. Basic Skills courses and Immigrant Education ** (FTES)			
1. Noncredit	18	0.00	
2. Credit	19	2,600.00	
I. FTES: Total FTES Generated in Leased (or Rented) Space of Less Than 100% Control (non-inventoried space).	20	1,000.00	

F Factored FTES

* Full-Time Equivalent Student. (See instruction 12, page 14)

** Inclusive of ESL and workforce preparation courses per SB 1754, Chapter 1068/92 for newly legalized immigrants. Overlap 15.9%

*** Annualized at P1 and P2

Credit 31,404.26 - U 4308.57
Noncredit 308.37 - U 102.98

MANAGING THE BONDS

Now that RCCD has successfully completed its general obligation bond campaign, it must engage in an especially complex endeavor known as “managing the bonds.” As this process is relatively unknown to most of us, it is important that we understand what lies before us. Along with the project need and prioritization process that will involve the college community, this is the only way we can assure our constituents that we are appropriately exercising our fiduciary responsibilities while likewise assuring them that the District’s infrastructure will be improved in accordance with the statements contained in the Measure C ballot statement.

First and foremost, it is important to note that we will not simply issue \$350 million in bonds, bank the proceeds and then draw on the funds when needed. Doing so would violate our commitment to keeping the tax rate at or below \$18 per \$100,000 of assessed valuation. For this and other reasons, we will issue the bonds in several series (i.e. Series A, Series B, etcetera) ... perhaps as many as five or six such issuances over the next 15 to 20 years. At issue in each instance will be the timing and sizing of a particular series.

A variety of factors must be considered when it comes to the matter of timing and sizing a bond issuance, which requires significant planning on the part of the District and its various operating units. Following is a brief description of these factors.

EXTERNAL FACTORS

1. ASSESSED VALUATION GROWTH

As noted above, the District has made a commitment to keep the tax rate at a maximum of \$18 per \$100,000 of assessed valuation (AV). Thus, if AV growth occurs at a pace greater than that estimated in the bond resolution approved by the RCCD Board of Trustees, then the District could conceivably issue bonds more rapidly than anticipated. Conversely, if AV growth slows as it did in the early 1990s, then bond issuance could be delayed. It is important to note, here, that AV growth alone will not dictate bond sizing and timing. As we shall see below, many factors must be considered before one moves forward with a particular series of bonds.

2. SPENDING REQUIREMENTS, REASONABLE EXPECTATION

Due to tax law requirements, RCCD must have a reasonable expectation of spending at least 85% of the proceeds of a series of bonds within the succeeding three years. Thus, the District must carefully consider what projects it can accomplish in a three-year time period as it contemplates the matters of bond sizing and timing.

3. INTEREST RATES

Debt service on Prop 39 bonds is paid by tax revenues. Debt service is based on the dollar amount of bonds issued and the interest rate at the time of issuance. Since RCCD committed to keeping this tax rate below \$18 per \$100k AV, if interest rates increase, the District could face constraints on bond sizing and timing (think the stagflation era during the 1970s). Alternatively, if rates are low, then the District could theoretically issue a larger amount of bonds in a particular series other factors permitting.

4. STATE CAPITAL OUTLAY FUNDING

We hope to leverage some \$200 million or more of State capital outlay funding via the contribution of local bond funds to State-fundable projects. But what if the State is unsuccessful in securing voter approval for a bond proposal? What if the State decides to postpone placing one of its bond measures on the ballot or if it simply decides to delay issuance of approved bonds? Changes in the State's current capital outlay program can significantly affect our decisions relative to bond issuances.

Furthermore, we must be prudent in our construction program. The State considers facility utilization in allocating its capital outlay funds, so we cannot get ahead of ourselves by adding space which might then be utilized at levels below State standards.

Finally, there is the issue of State match requirements. Until the 2000s, the State typically funded 100% of project costs. More recently, however, the State has sought a "local contribution," which typically has been defined as coverage of costs associated with planning and working drawings. It appears that future projects may require a local match of as much as 50% of project costs. Obviously, our discussions about bond sizing and timing will be driven to some extent by future decisions and guidelines concerning State match requirements.

5. GROWTH FUNDING

Most of our facilities require State funding for coverage of operation and maintenance costs as well as the direct costs associated with the activities conducted therein. Thus, our construction program, especially as regards new space, cannot move faster than our growth funding. If we get ahead of ourselves, we will dilute the operating budget while concurrently finding our facility utilization below State standards, hence negatively affecting our State capital outlay funding as stated earlier.

INTERNAL FACTORS

1. ENROLLMENT GROWTH

We must become much more precise with our enrollment planning. We must not only determine which campuses will grow, by how much, and in what time frame, we must also make corresponding decisions at the departmental and programmatic levels. We must do all this with an eye to local demand, State growth and capital outlay funding, facility utilization, etcetera.

2. INSTITUTIONAL CAPACITY

If RCCD is able to leverage \$200 million or more in external capital outlay funding, then when combined with bond proceeds, we would be looking at a program involving the construction of one (and perhaps more) DLLRC-size building(s) somewhere in the District each year for the next 15 to 20 years. In Riverside, more so than at Moreno Valley and Norco, there are significant secondary effects associated with most renovation and new construction projects. Thus, each time we consider the matters of bond sizing and timing, we also must consider, among other things, the effects on campus operations, the capacity of facilities and business office operations to undertake and manage the projects, and the need for and location of temporary facilities for faculty, staff, and students.

Buysse, Jim

From: Chief Business Officers [CBO-ALL@LISTSERV.CCCCO.EDU] on behalf of Scott Lay [scott@SCOTTLAY.COM]
Sent: Thursday, May 07, 2009 10:16 AM
To: CBO-ALL@LISTSERV.CCCCO.EDU
Subject: New LAO Report on Cash Flow

CBOs-

The Legislative Analyst's Office just released a new report on the state's cash flow, which identifies ongoing cash management challenges for the state. I wanted to draw one particular paragraph is important to call to your attention, as it could come into play quickly. We'll talk more about ACBO about what we can do to advocate additional state deferrals to community colleges, but we could have a fight ahead.

"Additional Payment Deferrals May Be Necessary. Because state payments to schools represent a large portion of General Fund disbursements in cash flow deficit months like July and October, additional measures to delay scheduled state payments to schools may be necessary. Deferrals of scheduled payments for various other programs also may be required.

To the extent that federal stimulus funds are available to school districts and other local governments by early in the 2009-10 fiscal year, this may help governmental entities cope with additional payment delays."

http://www.lao.ca.gov/2009/stadm/cash_flow_update/cash_flow_update_050709.aspx

LAO

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May 7, 2009

California's Cash Flow Crisis: May 2009 Update

Summary

(Five-minute video summary)

Much Progress Was Made in February... The February budget package addressed a \$40 billion shortfall in California's finances, thereby helping the state's dire cash flow situation. The package also delayed or reduced numerous state payments and allowed over \$2 billion of state special funds to be borrowed by the General Fund on a temporary basis for cash flow purposes. These actions allowed the Controller to end a one-month moratorium on tax refunds, payments to local governments, and other payments. The Controller has stated that the state is now able to pay its bills "in full and on time" through the rest of the 2008-09 fiscal year. In addition, passage of the February package led the Treasurer to resume sales of long-term infrastructure bonds, and recently, the state to resume funding for thousands of infrastructure projects that had been halted due to the cash flow crisis in late 2008.

...But Cash Flow Pressures Are Likely to Reemerge in Summer and Fall 2009. While the February package eased the state's cash flow crunch considerably, the budget and cash pressures of recent months have taken their toll. The General Fund's "cash cushion"—the monies available to pay state bills at any given time—currently is projected to end 2008-09 at a much lower level than normal. Without additional legislative action to address the state's fiscal difficulties or unprecedented amounts of borrowing from the short-term credit markets, the state will not be able to pay many of its bills on time for much of its 2009-10 fiscal year. Deterioration of the state's economic and revenue picture (such as the \$8 billion revenue shortfall we forecast in March) or failure of measures in the May 19 special election would increase the state's cash flow pressures substantially—potentially increasing the short-term borrowing requirement to well over \$20 billion. California is likely to have difficulty borrowing anywhere close to the needed amounts from the short-term bond market based on the state government's own credit.

Prompt Legislative Action Required. Time is of the essence in addressing California's cash flow challenges. In our opinion, the greatest near-term threat to state cash flows would be an inability by state leaders to address California's budget imbalance. If there were to be a prolonged impasse, the Treasurer and Controller could be prevented from borrowing sufficient funds to allow the state to pay its bills on time. In such a scenario, the Controller would have much less flexibility than he did in February (during personal income tax refund season) to delay non-priority state payments. An inability to borrow sufficient funds by the Controller and the Treasurer could subject many more Californians—including local governments, vendors, and, perhaps, in dire scenarios, state employees and many others awaiting payments from the state—to prolonged payment delays. Payment delays could affect many major state funds during a prolonged impasse, including the General Fund and special funds, all of which are funded from liquid resources in the state investment pool. Such delays could subject the already fragile state budget to even more costs (such as penalties and interest).

The Legislature's Options to Address the Situation. We advise the Legislature to reduce the state's short-term borrowing need to an amount under \$10 billion for 2009-10. (Regular updates from the administrator on the projected cash flow situation, therefore, will be necessary during the upcoming budget deliberations.) To reduce the borrowing need and limit the state's interest costs in 2009-10, the Legislature has two very good options:

- Additional actions to increase revenues or decrease expenditures in order to return the 2009-10 budget to balance.

- Additional actions to delay or defer scheduled payments to schools, local governments, service providers and others.

Federal Assistance Could Come With "Strings Attached." We believe it is appropriate for the Treasurer to explore the possibility of federal assistance—such as a federal loan guarantee—to address this summer's grim cash outlook. We caution the Legislature, however, against assuming such federal assistance will be readily available. By taking prompt actions to reduce the state's cash flow borrowing need to under \$10 billion by FY 2010, policymakers would enhance the ability of the Treasurer and Controller to secure private investments without a federal loan guarantee. Moreover, reducing the state's cash flow borrowing will involve actions that will improve the state's medium- and long-term budgetary outlook. These actions would increase confidence in California's bond markets, which are needed to continue providing funds for infrastructure projects that spur economic activity and long-term growth. Finally, and perhaps most importantly, we advise the Legislature and other policymakers to be cautious about accepting any strings that might be attached to federal assistance. Strings attached to recent corporate bailouts—as well as federal loan guarantees provided to New York City during its fiscal crisis three decades ago—have included measures to remove financial and operational autonomy from state executives. We recommend that the Legislature agree to no substantial diminishment in the role of California's elected state leaders. In our opinion, the difficult decisions to balance the state's budget now are preferable to Californians losing some control over the state's finances and priorities to federal officials for years to come.

Introduction

In January 2009, we published *California's Cash Flow Crisis*, one of the reports in our *2009–10 Budget Outlook Series*. This report provides an update on matters discussed in the January piece. Specifically, this report covers the following sections:

- A history of the state's recent cash flow problems.
- California's cash flow outlook.
- The Legislature's options to improve the cash flow outlook.
- The possibility of federal assistance for the state's cash flow challenges.

History of the State's Recent Cash Flow Problems

State Must Borrow for Cash Flow Purposes Every Year. In *California's Cash Flow Crisis*, we discussed the basic dynamics of the state's General Fund cash flows. Specifically, the report described how the state routinely disburses the majority of General Fund dollars in the first half of the fiscal year (that is, between July and December), while it collects the majority of General Fund receipts in the second half of the fiscal year (between January and June). As shown in Figure 1 (which uses 2007–08 monthly cash flows as a typical example), this means that the state routinely runs monthly cash flow deficits through the first half of the fiscal year and cash flow surpluses through much of the second half. To address this regular imbalance of receipts and disbursements, the state must borrow for cash flow purposes each year: first, from internally available resources (principally, several hundred "special funds" in the state treasury) and second, from external investors.

loan guarantees in the 1970s, the federal government likely would charge the state a fee for a federal loan guarantee—just as a bank or bond insurer guaranteeing state debt obligations would. Nevertheless, the government also could insist on a binding, multiyear budget balancing plan from the state or the ability to assume some sort of operational control or oversight of state operations in certain cases. For example, the New York City guarantee act required the city to submit to the Secretary of the Treasury a plan for balancing the budget within roughly four years and mandated that an independent fiscal monitor “demonstrate to the satisfaction of the secretary that it has the authority to control the city’s fiscal affairs during the entire period in which federal guarantees are outstanding.” The state-created fiscal control board that oversaw New York City finances remains in existence to this day, although many of its powers under state law have expired. In California, the Legislature and policymakers should expect that there would be strings attached to federal assistance. Given the severe nature of the state’s cash flow problems necessitate *considering* an offer of federal aid, we recommend that the Legislature be very cautious about *accepting* federal aid with strings attached that would undermine the ability of this Legislature or future Legislatures to set the state’s fiscal and policy priorities. We recommend that the Legislature agree to no substantial diminishment of the role of California’s elected leaders. In our opinion, the difficult decisions to balance the state’s budget now are preferable to California losing some control over the state’s finances and priorities to federal officials for years to come.

Legislature Should Not Assume Federal Assistance Will Be Forthcoming. We recommend that the Legislature *not* proceed with the assumption that federal assistance will be forthcoming to deal with this summer and fall’s state cash flow problems. By beginning to address the state’s budget and cash flow challenges immediately after the May special election, the Legislature will give the Treasurer and Controller the greatest range of options to address the state’s expected cash flow challenges. Moreover, the Legislature’s prompt return to a balanced budget and reduction of the cash flow problem may help convince federal officials that temporary assistance to the state is justified.

Conclusion

While the February budget package and earlier legislative decisions have helped ease the state’s cash flow crisis during 2008–09, major challenges for the state’s cash flows loom in the summer and fall of 2009. In our view, the greatest near-term threat to the state paying its budgeted bills on time would be a prolonged impact on the state in addressing California’s budgetary and cash flow challenges after the May special election. More importantly, we recommend that the Legislature *not* proceed with the assumption that federal assistance will be available to help the state address its cash flow crisis. Accordingly, we recommend that the Legislature:

- Focus in the coming weeks on reducing the state’s cash flow borrowing need for 2009–10 to some amount below \$10 billion.
- Act quickly—by late June or early July *at the latest*—to address the state’s budget and cash flow crisis in order to help the Controller and Treasurer access the short-term bond markets beginning in July.
- Consider additional cash management measures, including possible additional delays in scheduled payments and acceleration of receipt of lottery securitization proceeds.
- Be very cautious about accepting federal assistance for the state’s cash-flow problems, especially with strings that may be attached to such aid.

<p>Acknowledgments This report was prepared by Jason Dickerson and reviewed by Michael Cohen. The Legislative Analyst’s Office (LAO) is a nonpartisan office which provides fiscal and policy information and advice to the Legislature.</p>	<p>LAO Publications To request publications call 445-4656. This report and others, as well as an e-mail subscription service, are available on the Internet site at www.lao.ca.gov. The LAO is located at 925 L Street, Suite 1000, Sacramento, CA 95833.</p>
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Return to LAO Home Page

Buysse, Jim

From: scottlay@ccleague.org
Sent: Thursday, May 07, 2009 6:26 AM
To: Buysse, Jim
Subject: DOF: Education could see \$3.6 billion cut



May 7, 2009

Dear James

While we've been watching the state's revenues carefully, the political world had been somewhat quiet on education funding and the falling revenues. Yesterday, the Department of Finance warned K-12 leaders that they may propose lowering the Proposition 98 guarantee by \$3.6 billion. The proposal may be included in the governor's May Revise, which is expected May 28.

To my knowledge, no community college leader has been similarly warned, although we encouraged district leaders to prepare for the possibility at the Trustees Conference last weekend. The "proportionate share" of the cut would be about \$400 million.

The Sacramento Bee's Kevin Yamamura reports:

Education could see \$3.6 billion cut

Department of Finance officials told education groups today that K-14 schools **could see a \$3.6 billion cut due to a projected drop in revenues**, as the nonpartisan Legislative Analyst's Office suggested in March would be a possibility.

Finance officials did not tie the reduction to the May 19 ballot measures but said \$3.6 billion is the amount in allowable school cuts under Proposition 98 assuming the LAO's projection of \$8 billion in lower revenues proves accurate, said Dennis Meyers, assistant executive director for the California Association of School Business Officials.

The ballot measures may have little impact on 2009-10 school funding, Meyers said, because the \$3.6 billion figure is based on a revenue decline regardless of whatever gap exists should Propositions 1C, 1D and 1E fail. But he said the measures' failure could put more pressure on the governor and the Legislature to take the full \$3.6 billion.

Senate President Pro Tem Darrell Steinberg, D-Sacramento, said earlier today that the state can't cut too much out of education without jeopardizing federal stimulus funding. The federal package requires that the state maintain school funding at its 2006 level to be eligible. He said he'd prefer to look for savings in corrections and acknowledged that health and human services would face cuts if the ballot measures fail and the state faces a significant revenue drop this year.

The Assembly Republican Caucus today is expected to replace Republican leader Mike Villines with San

Blakeslee. While it's good news for us as Assemblymember Blakeslee is a former trustee of the San Luis Obispo Community College District and a friend of community colleges, the move is largely attributed to Villines's leadership in the budget negotiations that protected community colleges in February. We will be working closely with Assemblymember Blakeslee and thank Assemblymember Villines for his leadership.

With both leaders of the Republican caucuses now replaced and a recall campaign now underway, it is clear that fewer budget options will be available when the leaders return to the budget negotiations table this summer. **If the ballot measures pass (specifically 1C, 1D and 1E), they will be working to close an \$8 billion gap. If the measures fail, they will be tackling a \$13.8 billion problem.**

The state is also deferring \$540 million in money owed to community colleges. This is requiring districts to either set aside bigger reserves or borrow large amounts of money from the private sector just to ensure that our faculty and staff can be paid while the state is postponing money due to community colleges. This limits the margin of error that districts have and may be misleading to outsiders who think the colleges are hoarding money, when it is in direct response to the state's deferrals and recent history of uneven payments.

We will have to redouble our efforts to protect against disproportionate cuts and ensure that our colleges recognized for the special role they play in this economic environment. We all must also recognize that cuts are likely and work together to find ways to protect quality and access during this difficult time.



Scott Lay
President and Chief Executive Officer

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RIVERSIDE COMMUNITY COLLEGE DISTRICT

District Budget Advisory Council

Friday, May 8, 2009

Alumni House Living Room

9:00 - 11:00 a.m.

AGENDA

- I. Welcome and Call to Order
 - Review minutes of April 24, 2009 meeting
- II. State Budget Update
 - Budget Reduction Strategies Update
- III. Budget Allocation Model
 - Evaluation and Assessment
 - Funding Formula vs. Allocation Model
 - Future Projects - Discussion
 - FTES Allocation (Referred to Mag 7)
 - New Positions
 - ◇New Programs/Initiatives
 - ◇New Facilities
 - ◇State Compliance Issues
 - ◇Program Review/Strategic Planning
 - ◇Who should pay for position reclassifications?
 - ◇Maintenance and Operations Standards
 - A, B & C Budgets (Budget Savings)
 - Productivity/Efficiency Discussion
 - Guest Speaker – Joyce Black
 - Part-Time Faculty Budgets
 - Planning Link
 - BAM – Mid-Range Financial Planning Model Connection
 - District Strategic Planning, Chancellor’s Executive Cabinet?
 - Distribution of Resources for Other Than Resource 1000
- IV. Measure C
 - Managing the Bond
- V. Next Meeting
 - May 22, 2009
- VI. Adjournment