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

Cal Grants 4%
Proposition 98 7%
CalWORKs 57%

$7,000M
$5,250M
$3,500M
$1,750M

2012-13 Sales Tax +0.5%
2012-13 High Income PIT
2011-12 High Income PIT

$1,171M
$3,519M
$2,245M

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:*

- **Proposition 98**: -$4,836.9M
- **University of California**: -$200.0M
- **California State University**: -$200.0M
- **Courts**: -$125.0M
- **Other**: -$28.1M
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 (DSPS 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
### Declining Funded Cap (FTES)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12 (budgeted)*</th>
<th>FY13 (projected passage)*</th>
<th>FY13 (triggers)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26,847</td>
<td>25,841</td>
<td>26,496</td>
<td>24,477</td>
<td>24,477</td>
<td>23,116</td>
</tr>
</tbody>
</table>

*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

<table>
<thead>
<tr>
<th>Year</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12 (projected)</th>
<th>FY13 (projected passage)**</th>
<th>FY13 (triggers)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,501</td>
<td>3,377</td>
<td>1,170</td>
<td>1,492</td>
<td>1,492</td>
<td>2,853</td>
</tr>
</tbody>
</table>

**without class schedule reductions.
State Required Minimum – 5% $6,916,541
Revenue Shortfall Contingency $5,000,000
Unallocated $13,265,050
   Total as of 06/30/2011 $25,181,591

FY12 Adoption and Mid-year trigger ($2,938,133)
Board Approved use of reserves ($302,000)

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

<table>
<thead>
<tr>
<th></th>
<th>Passage</th>
<th>Non Passage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortfall</td>
<td>$6,000,000</td>
<td>$12,200,000</td>
</tr>
<tr>
<td>If we budget assuming passage, and it doesn’t occur:</td>
<td>$6,200,000 use of reserves</td>
<td></td>
</tr>
</tbody>
</table>

Projected Reserves as of 07/01/2012 $19,641,458
Assumed use of reserves for entire FY13 trigger ($6,200,000)
Total as of 06/30/2013 $13,441,458

**FY14 Potential Shortfall**

- **FY13 Shortfall** $6.2 million
- **Increased costs (inflationary)** $3 – 4 million
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