

# Los Rios Community College District 2023-24 Tentative Budget

June 14, 2023

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# Economic Forecast

- GDP growth is projected to slow as high interest rates and tighter financial conditions dampen consumer and business demand
- Job growth is projected to slow, in line with the slowing of GDP growth
- Inflation will continue to slow due to FOMC action and resolution of supply chain issues
- Additional layoffs in the tech industry and additional disruptions in the banking sector pose significant risks to the forecast

# Revenue Forecast

	2020-21	2021-22 <sup>e/</sup>	2022-23 <sup>e/</sup>	2023-24 <sup>e/</sup>	2024-25 <sup>e/</sup>	2025-26 <sup>e/</sup>	2026-27 <sup>e/</sup>
Personal Income Tax	\$128.9	\$137.1	\$122.8	\$118.2	\$118.9	\$127.5	\$141.8
<i>(Year-over-Year Change)</i>	29.4%	6.4%	-10.5%	-3.7%	0.6%	7.2%	11.2%
Corporation Tax	\$22.6	\$45.1	\$42.1	\$42.1	\$43.4	\$36.4	\$26.6
<i>(Year-over-Year Change)</i>	61.9%	99.8%	-6.7%	0.0%	3.1%	-16.1%	-26.8%
Sales and Use Tax	\$29.1	\$33.0	\$33.1	\$33.4	\$34.4	\$35.5	\$36.3
<i>(Year-over-Year Change)</i>	14.0%	13.6%	0.1%	0.9%	3.0%	3.3%	2.2%
<b>Total</b>	<b>\$180.5</b>	<b>\$215.3</b>	<b>\$197.9</b>	<b>\$193.6</b>	<b>\$196.7</b>	<b>\$199.4</b>	<b>\$204.8</b>
<b><i>(Year-over-Year Change)</i></b>	<b>29.8%</b>	<b>19.3%</b>	<b>-8.1%</b>	<b>-2.2%</b>	<b>1.6%</b>	<b>1.4%</b>	<b>2.7%</b>

<sup>e/</sup>Estimated

Source: California Department of Finance, 2023-24 May Revision Forecast.

# Proposition 98

- 2023-24 is estimated at \$106.8 billion
  - A reduction of \$3.6 billion from the \$110.4 billion in the 2022-23 budget
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- 2021-22 is estimated at \$110.6 billion
  - A reduction of \$3.6 billion from the \$110.2 billion in the 2022-23 budget
- 10% cap in Proposition 98 “rainy day fund” has been met

# CCC Proposals

- \$678 million ongoing for 8.22% COLA for the Student-Centered Funding Formula (SCFF)
  - One-time investment of \$503 million to support SCFF costs for 2023-24
  - ≈\$30 million for Los Rios
- \$95.5 million ongoing for 8.22% COLA for selected categorical programs
  - ≈\$3 to \$4 million for Los Rios
- \$100 million one-time for retention and enrollment efforts
  - ≈\$3 to \$4 million for Los Rios
- \$788 reduction to COVID Recovery BG and Deferred Maintenance
  - ≈\$30 to \$35 million reduction for Los Rios

# Legislative Actions

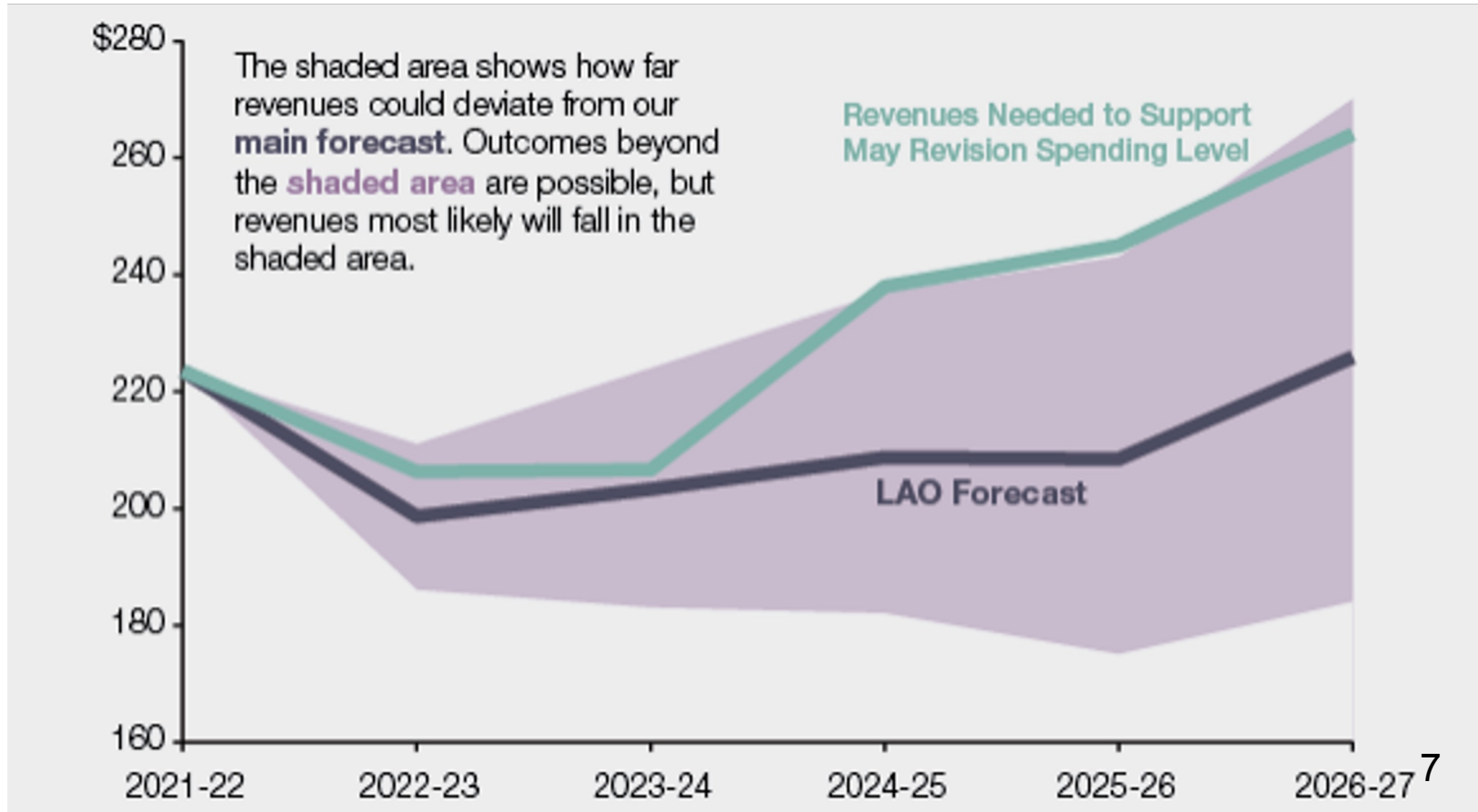
- Both houses funded the Proposition 98 higher than Governor
  - Using higher property tax figures from LAO estimate
- Both houses funded COLA on SCFF and select categoricals
- Both houses made reductions to COVID Recovery BG and Deferred Maintenance
  - Each house provided flexibility to these categorical programs

*(Note: this slide will be edited for the board meeting since the legislature will close out actions by the 12th.)*

# Legislative Analyst's Office Criticism

- Roughly two-thirds chance revenues will come in below May Revision estimates
- Revenue estimates are \$11 billion lower than the May Revision estimates
- Adopting lower revenue estimates reduces required spending
- Significantly reduce discretionary spending
- Proposition 98 can only support roughly 5% of the roughly 8% COLA

# Legislative Analyst's Office Revenue Estimate





# District Enrollment

- Up over 5% from Spring 2022 to Spring 2023
- Up over 10% from Summer 2022 to Summer 2023
- Up over 15% from Fall 2022 to Fall 2023
- Continued growth at CRC and FLC outpacing ARC and SCC
- Comparably favorable regional adult demographic trends
- Comparably favorable high school student trends

# X, Y, Z Budget Assumptions

- X Budget assumes full restoration of pandemic decline
- Y Budget assumes additional 2% on top of X Budget
- Z Budget assumes additional 2% on top of Y Budget
- 8.22% COLA for SCFF

# Importance of Restoring

- Fully restored instructional programming
- Additional full-time and part-time faculty positions
- Getting out of “hold harmless”
- Compensation adjustments instead of backfilling revenue loss

# Future Concerns

- Continuing to mitigate impacts of the pandemic
  - Less students with financial need attending college
  - Future demographic analysis provided this fall on restoration
- Uncertain revenue and budget model at the state level
  - Ongoing budget allocation made with one-time revenue
  - Predictions of moderately high inflation with flat revenue
- Uncertainty with global conflicts
  - Russia and Ukraine
  - China and Taiwan

# Fiscal Health

- Reserves/contingency in-line with best practices
  - Roughly two months of expenses
- Fully funded OPEB trust
  - Annual payments to keep with increased cost estimates
- No short or long term liabilities that impact operations
  - Vacation balances, workers compensation, self insurance fund, etc.
- Plan for pension cost increases through 2027-28
  - Rolling 5-year plan that we annually fund
- Strong ratings and reviews from outside agencies
  - Ratings agencies, CCCCO, and ACCJC
  - FCMAT's Fiscal Health Risk Analysis score of 3.7% (very low risk)