Agenda Item 6.B

Los Rios Community College District

2024-25 Tentative Budget

June 12, 2024

State Budget

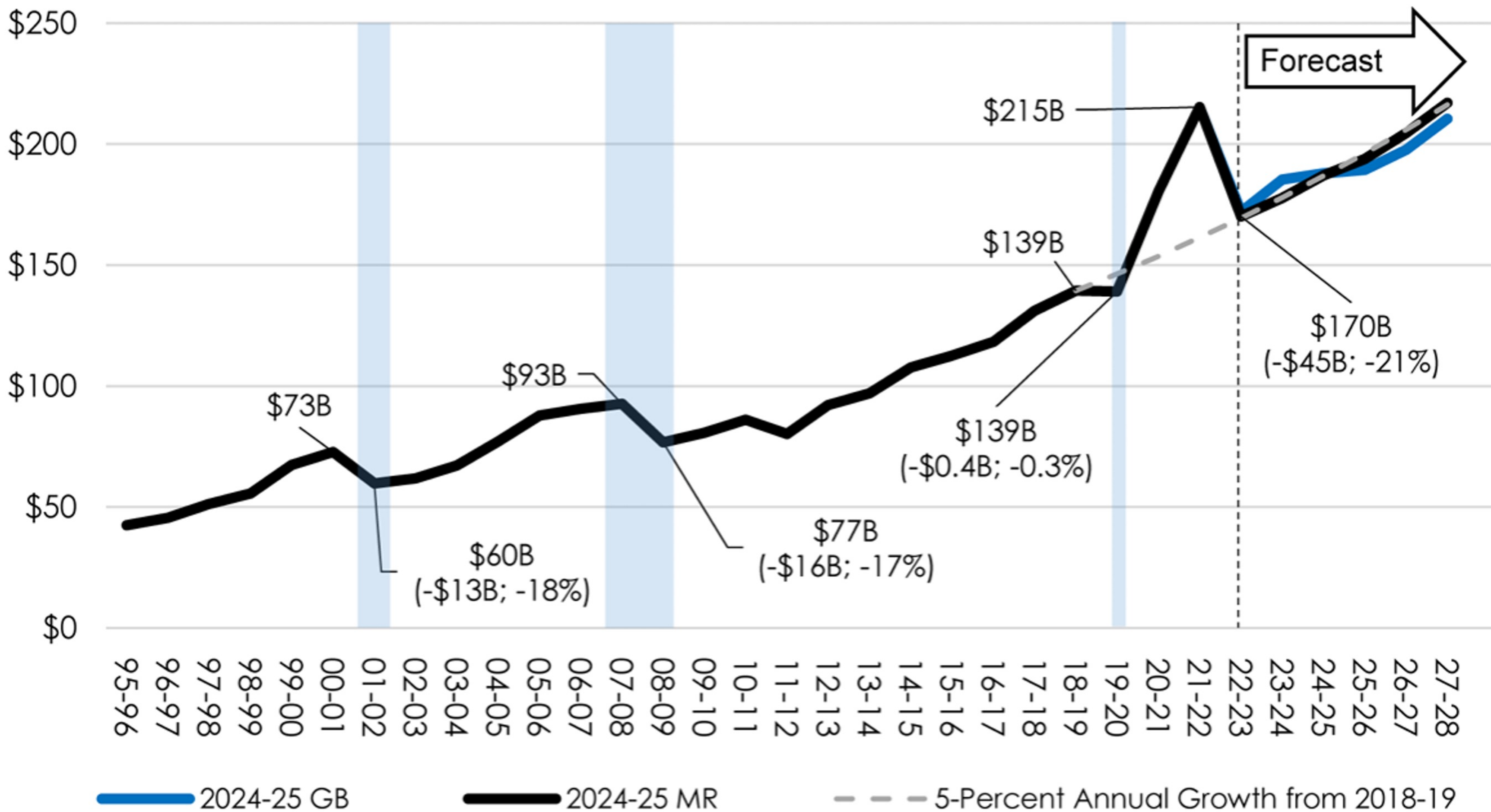
Timing of Proposals

- November
  - LAO forecasts the budget deficit at $68 billion
- January
  - Governor released his budget with $38 billion deficit and contains a complicated P98 funding maneuver
- February
  - LAO says the budget deficit in Governor’s Budget is actually $58 billion and there is likely another $15 billion decline in revenues ($73 billion deficit)
- April
  - Legislature took action to mitigate $17 billion of deficit with an “early action” plan
- May
  - Governor releases May Revision addressing a $55 billion deficit and still uses the P98 maneuver
  - Governor agrees to P98 maneuver solution with CTA
  - Legislature agrees to a two-party budget solution that includes a solution for 2024-25 and 2025-26 with proper calculation of P98

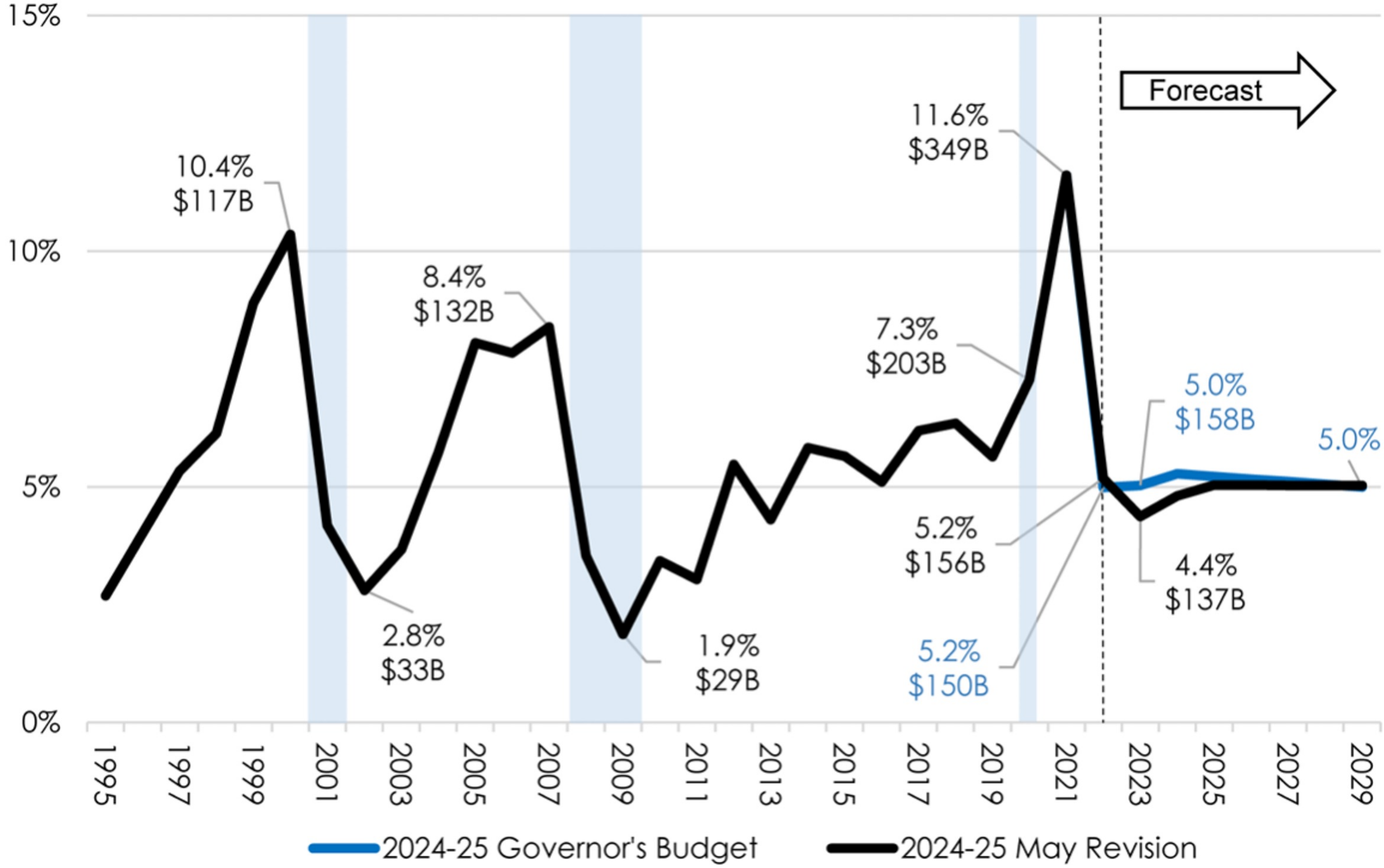
Economic Forecast

- Slow, but steady economic growth through 2027
  - Driven by strong personal consumption, but will moderate with restrictive monetary policy
- Job growth to return to steady state
  - Technology layoffs, a high interest rate environment, and already nearing pre-pandemic employment result in less projected job growth
- Inflation is expected to cool
  - Slows to historical inflation rates of around 2% by early 2025 due to fiscal and monetary policy changes since the end of the pandemic

Big Three Revenues



Capital Gains as a share of PIT



Proposition 98

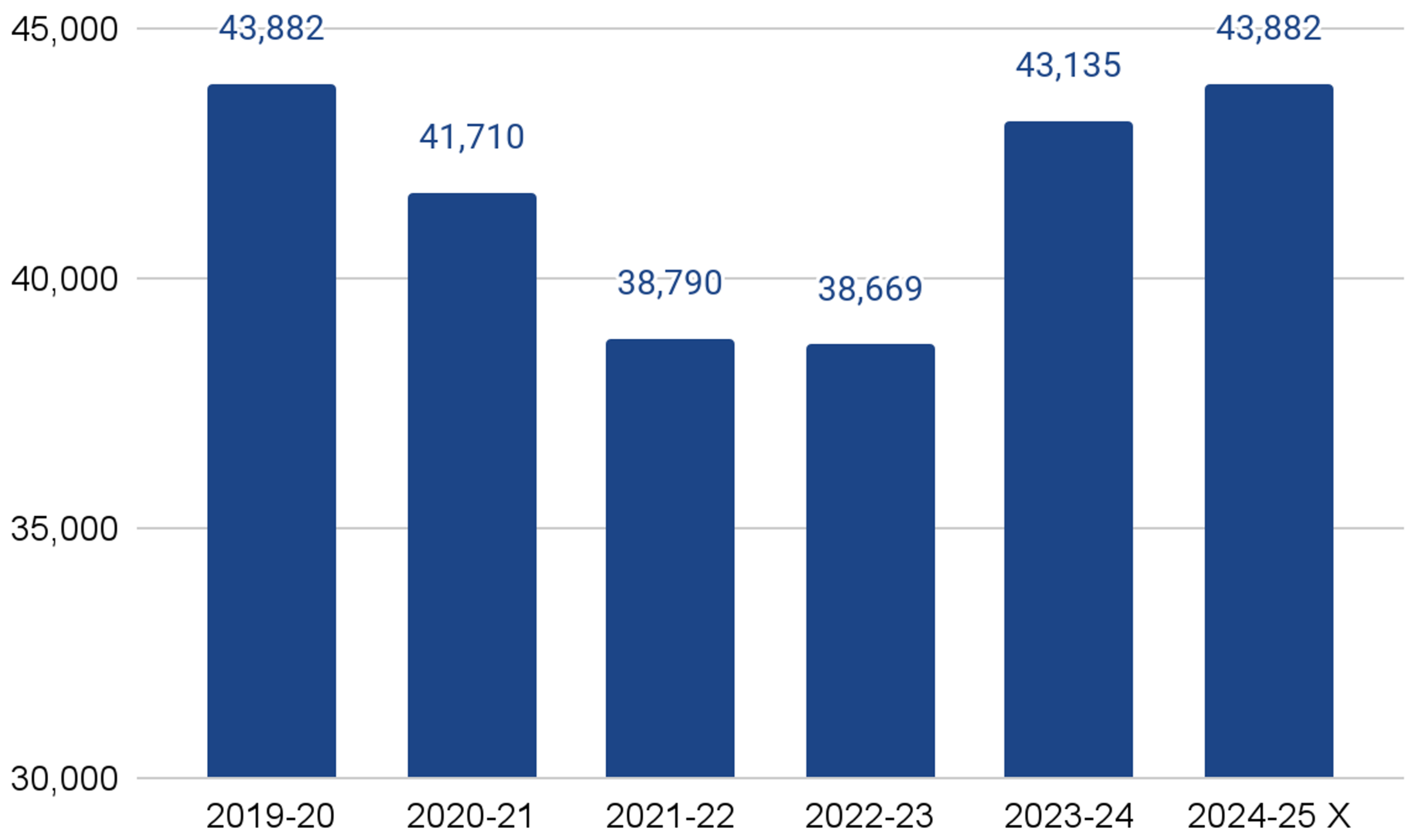
- Provides $97.5 billion in 2022-23, $98.5 billion in 2023-24, and $115.267 billion in 2024-25
- Rebenches the guarantee to reflect the Proposition 28 arts funding and Universal Transitional Kindergarten
- Suspends the guarantee in 2023-24, creating an estimated $8.3 billion in maintenance factor
- Reduces the P98 “Rainy Day” fund to $1.1 billion by withdrawing $8.4 billion to support 2023-24 levels of spending
- Creates deferrals that appear to be a legal menuvue only, without any real reductions in cash payments

California Community College Proposals

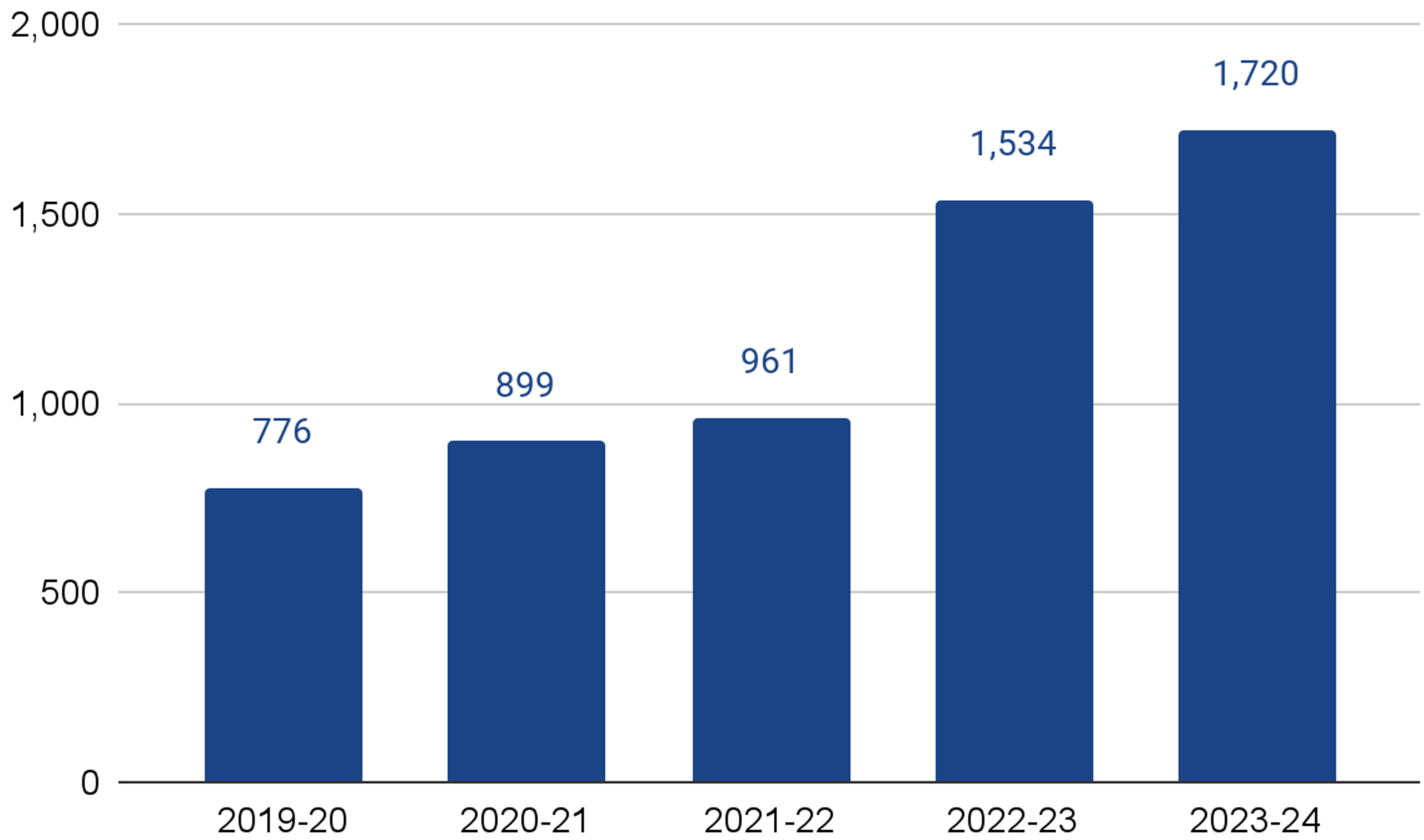
- $100 million for a 1.07% COLA for the Student Centered Funding Formula
  - ≈$3 million for Los Rios
- $12.8 million for 1.07% COLA for various categorical programs
  - ≈$0.3 million for Los Rios
- $28.1 million for growth in the Student Centered Funding Formula
- $60 million to expand nursing programs
- $5 million for “education pathways for low-income workers”
- $20 million for workload in financial aid offices
- Eliminates funding Learning Aligned Employment Program

District Budget

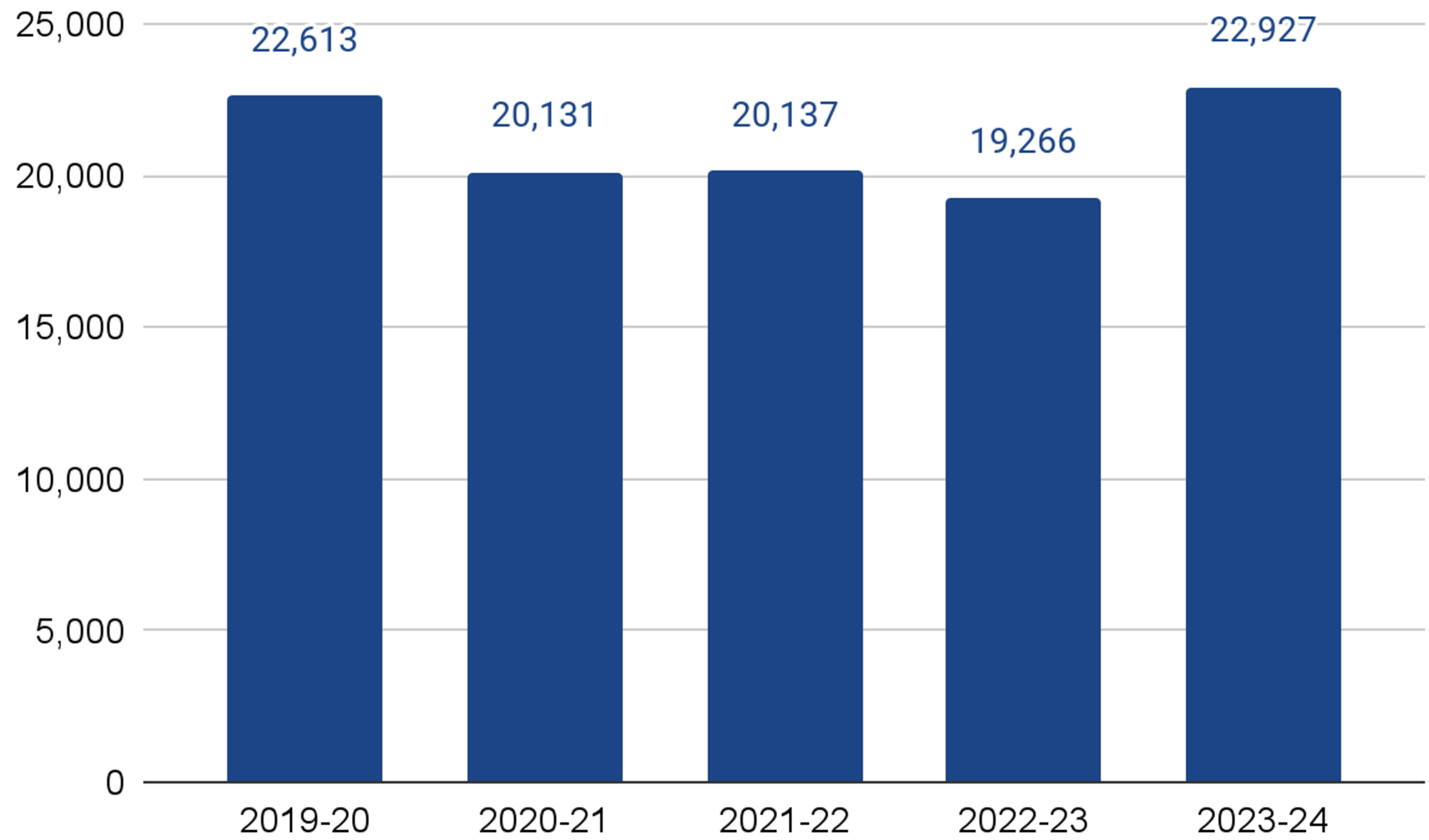
Restoration of Credit FTES



Growth in Dual Enrollment



Restoring Pell Grant Student



District Enrollment and Regional Population

- Up over 10% from Spring 2023 to Spring 2024
- Up over 10% from Summer 2023 to Summer 2024
- Promising early results from Fall 2023 to Fall 2024
- Unique pace of restoration over the past two academic years
- Continued growth at CRC and FLC outpacing ARC and SCC
- Comparably favorable regional adult demographic trends
- Comparably favorable high school student trends
- Cost of living in Sacramento MSA continues to be relatively cheaper compared to other MSAs in California

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
- 1.07% COLA for SCFF
- 18% increase in Pell Grant students
- 11% increase in Promise Grant students

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
- Eligible for growth funds in 2024-25 and beyond

Future Concerns

- Returning to a normal interest rate level
  - Inflation appears to be normalizing
  - Sticky inflation could lead to persistently high interest rates
  - Creating long-term downward pressure on the economy
- Uncertain revenue and budget model at the state level
  - Changing tax laws may not bring in anticipated level of revenue
  - Highly dependent on 1% of earners to pay nearly 40% of total PIT
- Uncertainty with geopolitical 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 2028-29
  - 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)

Questions?