

2017-2018 Tentative Budget

The California economy has remained stable throughout 2016-17 but little growth at this point. The 2017-18 year is expected to remain a very slow growth fiscal year as well, with some type of downturn still on the horizon. Inflation has remained low in most areas of the economy. Unemployment rates in California dropped to 4.9% in March; however, the caution is that it does not reflect those who have quit seeking employment.

The Governor's May Revision paints a somewhat brighter fiscal picture than his January proposal but he continues to be fiscally conservative. The May Revision acknowledges a current year shortfall of \$225 million but the budget year exceeds the January forecast by almost \$1.9 billion.

The Governor's May Revision includes the following:

An increase to the base revenue of \$183.6 million

Small COLA of 1.56% (up from 1.48% in January)
(EOPS, DSPS, CalWORKS and Campus Child Care Tax Bailout all receive COLA)

1% growth (down from 1.34% in January)
Unused growth can be applied by the Chancellor's Office to cover any possible apportionment deficit.

One time funding streams anticipated:

\$31.7 million in additional one-time revenue for backfilling lower than anticipated RDA revenue

\$135.8 million in Scheduled Maintenance/Instructional Equipment funding has been allocated but deferred until 2018-19, as a contingency for 2017-18. It is **possible** that \$43.7 million will be allocated in 2017-18.

\$46.5 million in Proposition 39 funding (a decrease of \$5.8 million from current year)

There was an additional one-time \$45.8 million in one-time revenue due to settle up of the 2015-16 fiscal year. This is very possibly going to be used by the legislature to fund other one-time priorities in the budget. Because of the tentative nature of this proposal it is **not** included in the tentative budget at this time.

The budget committees in both houses of the California legislature are working through this proposal and may make changes to this proposal. Then it goes to the Conference Committee where a single budget will be proposed to the Governor. That should occur by June 15. By June 15, 2017 the Legislature is supposed to have a budget that the Governor can review and sign into law by June 30.

So where are we now and how does all this translate to College of the Siskiyous? While we once again have a positive budget and outlook for College of the Siskiyous, the District needs to be prudent in how we approach the spending of these funds. The system is continually being cautioned to be careful as the expectation is that the tide is turning and we will not continue to receive funding at the level we have had for the last couple of years. Governor Brown cautions that we are 2 years beyond the average number of years between recessions.

So what is included in the general fund budget?

The COS Tentative Budget includes a 17% ending fund balance as part of a balanced budget. This projected ending fund balance is making the assumption that the District will be able to be funded for the FTES that are being generated in 2016-17.

Revenues:

FTES at 2,695 as reported at Period 2 (no growth)

COLA of 1.56%

Some increase in the base allocation funding (approximately \$470,000)

Minimal base Mandated Cost funding based on current proposed May revise

Expenditures:

Increase in STRS and PERS contribution rates

Step and Column increases

Fully fund the ARC (annual required contribution) for Retiree Health Benefits

Additional \$100,000 above the ARC to be deposited into the trust for Retiree Health Benefits

Transfer of \$100,000 to the Capital Outlay Projects Fund in light of little or no scheduled maintenance funding

There is no growth included in the budget year because we are actually in Restoration in the current 2016-17 year. That means we are currently being paid at the 2,819 FTES that we were able to achieve last year. We have three years to restore back to that level of funding before we can qualify for growth funding. However, if we can achieve some restored FTES toward that 2,819 we will be paid for that level of restoration. This does give us the potential of some additional revenue in the form of restoration.

With this being the tentative budget, there may be additional funding that we will be able to capture and will be included in the Final Budget in September. There may also be a significant change in the opposite direction due to the potential changes in the FTES reported for 2017-18. This Tentative Budget will give us a good baseline to begin the fiscal year on July 1 and we will need to be very intentional about how and where we direct one-time funding. COS is pursuing many opportunities to improve District operations and enhance the institutions' ability to provide even better services for our students and to continue to improve our student success.