



S TATE BUDGET UPDATE

UPDATE #1 ♦ JANUARY 10, 2008

A status report on the actions, discussions, and rumors in Sacramento related to the community colleges' state budget for fiscal year 2008-09. This update is distributed to all chief executive officers for distribution to trustees, administrators, faculty, classified, public/governmental relations officers and student leaders.

Governor outlines current year and budget year reductions

On the heels of Governor Schwarzenegger's State of the State address where he outlined the disconnect between modest year to year revenue increases NOT keeping pace with rapid increases in expenditures, Governor Schwarzenegger declared the "budget wolf" has returned and reiterated the need for California to address its "spending problem". In his speech on Tuesday, Governor Schwarzenegger outlined his plan in broad strokes "to cut spending across the board" and today the Administration released their plan to address a projected \$14.5 billion deficit. The specifics related to community colleges are listed below.

2007-08 – Current Year

The Administration has identified a \$1.4 billion drop in the minimum amount owed to K-14 education for Proposition 98; **however** the Administration is proposing to reduce Proposition 98 in the current year by **ONLY** \$400 million. The Administration proposes a special session be convened immediately, and proposes \$360 million reduction for K-12 and a reduction of \$40 million for community colleges. The \$40 million dollar amount identified for community colleges is NOT accompanied by specific programs cuts and the Administration has committed to working with stakeholders to identify one-time savings. The League urges the Consultation Council Budget Workgroup task force to meet immediately and outline a plan to be brought forward to the full consultation council.

2008-09 – Budget Year: PROPOSITION 98 SUSPENDED

The Administration proposes to suspend the Proposition 98 guarantee and proposes to fund K-14 education at \$55.7 billion which is roughly \$4 billion dollars lower than statutory provisions of Proposition 98.

The Administration's budget proposal for community colleges contains a workload budget increase which provides additional resources for growth of \$171.9 million (3 percent), COLA \$291.7 million (4.94% percent), and a \$28.5 million increase for selected categorical programs. As quickly as the Governor giveth, he taketh away by proposing to reduce the workload budget he just crafted by **\$483.5 million** – a reduction in apportionments and categorical programs which reflects roughly a 7.2% reduction to the workload budget his Administration just crafted! This action results in community colleges receiving only **1%** for enrollment growth – essentially a 67% percent reduction to access. The growth reduction essentially restricts access to 52,000 students (headcount) by artificially capping system growth below anticipated demand. Such a maneuver once again places the community colleges in the perilous position of responding to Sacramento budget cuts at the expense of meeting local community college enrollment demand.

The Administration also proposes altering the deferral mechanism by changing the final payment owed for the 2007-08 fiscal year from July 2008 to **September 2008**. In the event of a late budget, this will greatly impact a district's cash flow and may cause districts to incur borrowing costs at the expense of providing instruction and services to needy students.

The proposed budget also reflects a reduction of \$57.4 million resulting from a proposal to eliminate new awards for the Cal Grant B Competitive program. Renewal awards would not be affected. According to the Administration, this policy change is necessary to help contain the cost of government at this critical time. The Administration anticipates the projected increase in Federal Pell grants will help to mitigate the phase-out of the Cal Grant B Competitive program for eligible students.

Finally, a detailed spreadsheet will be released tomorrow morning outlining the specific categorical and apportionment reductions included in the Governor's proposed 2008-09 Budget.