



S TATE BUDGET UPDATE

UPDATE #2 ♦ FEBRUARY 12, 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.

Senate Budget Committee takes action on current year reductions

On January 10th, simultaneously with the release of the state budget, Governor Schwarzenegger declared a “fiscal emergency” and called the legislature into special session. The declaration of a “fiscal emergency” began a 45-day count down - concluding on Saturday, February 23, 2008 - in which the Legislature must take action on the current year reductions submitted by the Governor. This evening the Senate Budget and Fiscal Review Committee met and took action on the Governor’s current year reduction proposal and will be sending a bill to Senate floor on Friday.

2007-08 – Proposition 98 Current Year

In the current year, the Administration proposed reducing the 2007-08 Proposition 98 guarantee by \$400 million. The Governor proposed a reduction to the Proposition 98 guarantee because the minimum guarantee owed to K-14 education in the current year dropped by \$1.4 billion. To achieve the \$400 million reduction, the administration proposed a \$360 million reduction for K-12 and a \$40 million one-time reduction for community colleges.

This evening the Senate Budget and Fiscal Review Committee outlined their plan to reduce the current year Proposition 98 guarantee by \$507 million going even further than the \$400 million included in the Governor’s proposal. Despite the higher amount – the additional reductions do **NOT** cut instructional or student services programs in the current year. The Senate Budget Committee achieved a higher number primarily because on the K-12 side of the ledger, higher than anticipated prior year balances were identified in addition to unobligated funds in the current year.

It should be noted that although the Proposition 98 base moving forward into 2008-09 was reduced by \$507 million - significant discussion surrounded the potential to reduce the base even more. In the end, legislators agreed with the governor and protected the larger Proposition 98 base moving forward to address K-14 priorities. While the budget year discussions are still weeks from commencing and a Proposition 98 suspension in the budget year is “still on the table” for next year, the base moving forward is higher and in the long run overall K-14 funding is in a much better position.

2007-08 – Community College Reductions

While the Senate voted to reduce the overall Proposition 98 guarantee in the current year by \$507 million - the community college portion of the current year reduction amounted to only a \$31 million one-time reduction. The System Office worked with the Legislature and the Administration to compile a list of reductions which would **neither** impact instructional or student services programs **nor** alter board approved local budgets. The system office staff scoured categorical balances going back several fiscal years and reviewed current year appropriations to determine if payments to programs could be delayed without impact. At the conclusion of the exercise, the community college list was \$9 million short of the \$40 million target; however legislative staff instructed the system office to “stand down” because any attempt to go beyond \$32 million would have resulted in real cuts to instructional and student services programs.

2007-08 – K-14 Deferral Proposal

In response to the state’s projected negative cash flow at the end of the fiscal year, the Administration proposed to extend **and** make permanent the K-14 deferral. Currently the state defers the June K-14 apportionment payment to the month of July, and the Administration proposed extending and making permanent the deferral of the June payment to **September**. In the event of a late budget, community colleges would NOT receive the last payment from the prior fiscal year until September, and monthly apportionment payments would not be disbursed until a budget was enacted.

The Senate approved a plan to defer **only** the K-12 July apportionment payment until September - which essentially means community colleges would receive a July apportionment payment **if** the state budget was enacted on time.

The Assembly budget committee is expected to meet tomorrow and take up the current year issues. The League will dispatch additional updates dependent upon legislative action.