



S TATE BUDGET UPDATE

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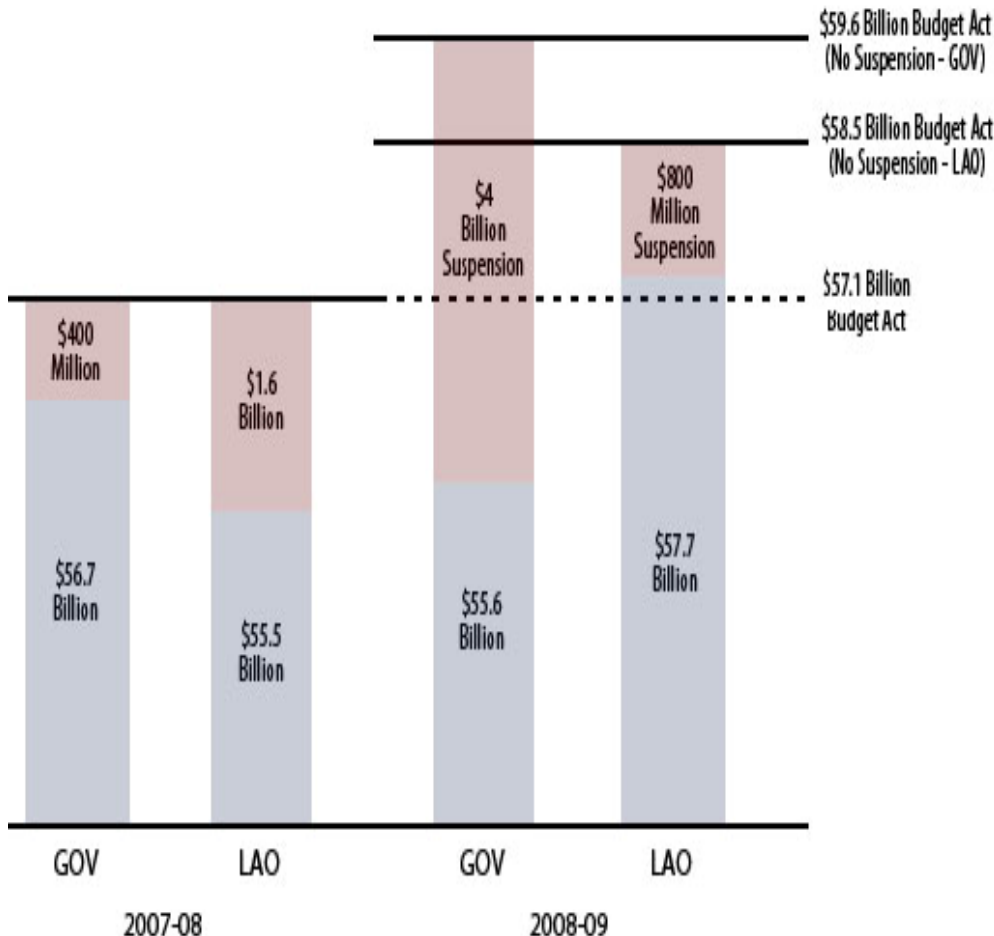
A status report on the actions, discussions, and rumors in Sacramento related to the community colleges' state budget for fiscal year 2008-09. This update is distributed to all chief executive officers for distribution to trustees, administrators, faculty, classified, public/governmental relations officers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

LAO RECOMMENDATIONS, PROPERTY TAX SHORTFALL, ADVOCACY EFFORTS

Legislative Analyst Office Releases 2008-09 State Budget Analyses

The Legislative Analyst Office (LAO) released an analysis of the Governor's 2008-09 proposed budget on February 20th and projected a larger deficit - \$16 billion vs. the Governor's \$14.5 billion - at the conclusion of the 2008-09 fiscal year absent corrective action. Those figures were substantially reduced when the Legislature and Governor took immediate action to reduce current year expenditures, and the state deficit is now pegged at \$8 billion. While the budget deficit was halved, the continued economic slowdown – driven primarily by the downturn in the housing sector and rising energy prices – have driven down consumer spending and state tax collections signaling the possibility the \$8 billion deficit figure may increase. The next estimate will occur with the May Revise, and until then the LAO has outlined a complex set of recommendations and included a comprehensive “alternative budget” to the one proposed by the Governor.

The LAO “alternative budget” includes a detailed current year and budget year Proposition 98 recommendation, which still results in “suspension” for 2008-09; however under the LAO plan the “suspension” would be \$800 million vs. the Governor's proposed \$4.0 billion suspension. The LAO Proposition 98 plan is premised on reducing the current year



Proposition 98 guarantee to the minimum level in the current year; however this recommendation was flatly **rejected** by the Legislature during the special session. Despite the Legislature's refusal to bring down the current year guarantee, the Legislative Analyst - Elizabeth Hill - indicated the Legislature still has until June 30, 2008 to act, and should consider the flexibility the recommendations provide in the event revenues continue to deteriorate.

Notwithstanding the uncertainty created when the Legislature rejected the LAO's current year Proposition 98 recommendations - the overall K-14 Proposition 98 spending plan and specifically the community college recommendations should be understood.

In the current year, the LAO recommends reducing the Proposition 98 guarantee by an additional \$1 billion in order to appropriate the minimum amount;

however in a unique reclassification of appropriations, the recommendation **would not** actually reduce K-14 spending in the current year. The reclassification of appropriations simply designates some appropriations as part of the Proposition 98 guarantee and some appropriations as “settle-up” without counting towards the Proposition 98 guarantee. The ultimate goal of the exercise – the reduction of the Proposition 98 base going forward. This reduction of the Proposition 98 base moving into 2008-09, coupled with the LAO “revenue raising proposals”, results in a \$2.0 billion increase to Proposition 98 in 2008-09. However, the \$2.0 billion does not result in significantly more resources than K-14 already received in 2007-08 (see chart). Further, the LAO alternative does **NOT** fund a K-14 COLA (estimated cost \$3.0 billion), and still results in a suspension to the 2008-09 Proposition 98 guarantee - albeit by a smaller amount - \$800 million.

In addition, under the LAO proposed budget for 2008-09, only \$80 million of the proposed \$2.0 billion increase is designated for community colleges - and this \$80 million year-to-year increase for community colleges is the result of a 30 percent fee increase, (\$20 to \$26 per credit unit) the proceeds of which are redirected back to the system. Such a fee increase is not “moderate” or “predictable”, will result in student attrition, and raises concerns that community college students will be expected to carry the burden of state revenue shortfalls. It is important to remember the \$80 million is a cumulative increase over the revised budget for 2007-08 and the attached League budget chart breaks down the proposed LAO adjustments: 1) 1.7% for enrollment growth; 2) Mandates \$25 million; 3) All categoricals budgeted at the same level as 2007-08, with the exception of an \$11 million reduction Economic Development.

The LAO also proposes “creating fiscal and program flexibility for districts to meet local needs”, and as such recommends the creation of two block grants. The Student Success block grant – which would include Financial aid/outreach, EOPS/CARE, DSPS, Fund for Student Success, Matriculation, and the Basic Skills initiative and the Faculty Support block grant – which would include Faculty staff outreach, Part-Time faculty compensation, part-time office hours, and part-time health insurance. In addition, the LAO recommends the suspension of the Quality Education Investment Act, which equates to the \$38 million available for career technical education and Scheduled Maintenance & Instructional Equipment for 2008-09. It is very early in the process and the LAO recommendations should be viewed in that context.

Property Tax Shortfall

Last week, the System Office revised the First Principal Apportionment and estimated community colleges will be hit with an \$84.4 million deficit attributed to a property tax shortfall. It is important to note however that, this is a *preliminary* estimate given the economic downturn affecting the housing sector it could in fact worsen. At this time, the revenue limit calculation for each district has been reduced by roughly 1.5 percent – a significant amount considering the “cut” was unanticipated and districts are now three-quarters of the way through the fiscal year. It should be noted that unlike the current year reductions approved in the special session, the property tax shortfall will directly impact instruction and student services. Colleges may reduce summer school course offerings and cut student support services - which will make it more difficult for students to complete their educational goal.

The League, along with other system advocates, will advocate for property tax backfill legislation in the current year, and call upon the Administration to re-calculate the budget year property tax estimate to ensure the figure used to assemble the budget is not built off an over-inflated property tax base.

Advocacy

Now more than ever community college’s must articulate the impact of the property tax shortfall and proposed budget will have on student access and student success. The League will be hosting three more Capitol Day events (April 15th, May 20th, and June 17th) in Sacramento this Spring, and CEO’s are encouraged to send advocacy teams to Sacramento. It’s important legislators and their staff hear firsthand how colleges will respond to the current year cut and proposed budget year reductions. Web Link:

<http://www.ccleague.org/i4a/pages/Index.cfm?pageID=3356>

In addition, the League will be hosting roughly 20 community forums throughout the state at local colleges and local businesses who partner with colleges, in order to remind the public of the economic benefits generated by their local district. Specifically the goal of these community forums will be to highlight the tremendous return on investment the colleges provide the local economy and highlight the need to maintain and increase the investment in community colleges in order to maintain California’s competitive edge. All community college constituent groups are encouraged to attend these forums, and colleges will be soon be contacted to host these events.



COMMUNITY COLLEGE LEAGUE
OF CALIFORNIA

Item	2007-08 PROPOSED REVISED BUDGET	2008-09 System Budget Request	2008-09 Governor's Proposed Budget (after workload increases and across the board reduction)	Change from 07- 08 REVISED Budget to 08-09 Gov Proposed Budget	Percentage change from 07-08 Enacted Budget	2008-09 LAO Proposed Budget	Change from 07- 08 REVISED Budget to 08-09 LAO Proposed Budget
General Apportionment							
Base Apportionment (incl: GF, P-Tax, Fee)	5,423,341,000	5,732,549,000	5,692,549,000			5,692,549,000	
Baseline Adjustments (not shown in budget)			7,584,000			7,584,000	
2007-08 Reduction due to unused growth	-80,000,000						
Student fee reduction (to \$20 full-year)	33,245,000		-			-	
Student Fee increase (to \$26 full-year; reduce state GF)						-79,000,000	
PROPOSED SPECIAL SESSION MID-YEAR REDUCTION	(40,000,000)		40,000,000			40,000,000	
	5,336,586,000	5,732,549,000	5,740,133,000			5,661,133,000	
Cost-of-living adjustment (categorical COLA incl. below)	248,431,000	177,996,000	0			0	
Growth for Apportionments	107,532,000	200,639,000	60,118,000			97,700,000	
Career Development & College Preparation	-	30,000,000	-			-	
Total General Apportionment	5,692,549,000	6,141,184,000	5,800,251,000	107,702,000	1.89%	5,758,833,000	66,284,000
Categorical Programs							
Academic Senate for the Community Colleges	467,000	503,000	416,000	(51,000)	-10.92%	467,000	0
Accreditation Assistance Team	-	2,000,000	-			-	
Apprenticeship	15,229,000	15,229,000	14,240,000	(989,000)	-6.49%	15,229,000	0
Basic Skills	33,100,000	85,286,000	29,494,000	(3,606,000)	-10.89%	33,100,000	0
Cal PASS	-	2,000,000	-			-	
Career Technical Education	20,000,000	68,000,000	17,821,000	(2,179,000)	-10.90%	20,000,000	0
Child Care Tax Bailout	6,836,000	7,288,000	6,392,000	(444,000)	-6.50%	6,836,000	0
Disabled Students Programs and Services	115,011,000	122,889,364	110,769,000	(4,242,000)	-3.69%	115,011,000	0
Economic Development	46,790,000	46,790,000	41,692,000	(5,098,000)	-10.90%	35,790,000	-11,000,000
EOPS	106,786,000	114,039,000	102,849,000	(3,937,000)	-3.69%	106,786,000	0
CARE	15,505,000	16,569,000	14,934,000	(571,000)	-3.68%	15,505,000	0
Equal Employment Opportunity	1,747,000	1,747,000	1,557,000	(190,000)	-10.88%	1,747,000	0
Foster Care Education Program	5,254,000	5,601,000	4,682,000	(572,000)	-10.89%	5,254,000	0
Fund for Student Success	6,158,000	6,158,000	5,487,000	(671,000)	-10.90%	6,158,000	0
Full-time Faculty: Increase Positions	-	45,000,000	-			-	
Matriculation	101,803,000	145,827,000	98,049,000	(3,754,000)	-3.69%	101,803,000	0
Nursing	22,100,000	22,100,000	19,692,000	(2,408,000)	-10.90%	22,100,000	0
Part-Time Faculty Compensation	50,828,000	100,828,000	45,290,000	(5,538,000)	-10.90%	50,828,000	0
Part-Time Faculty Health Insurance	1,000,000	16,000,000	891,000	(109,000)	-10.90%	1,000,000	0
Part-Time Faculty Office Hours	7,172,000	14,172,000	6,391,000	(781,000)	-10.89%	7,172,000	0
Physical Plant and Instructional Support	27,345,000	27,345,000	24,366,000	(2,979,000)	-10.89%	27,345,000	0
Professional Development	-	10,000,000	-			-	
School to College Bridge Program	-	9,750,000	-			-	
Special Services for CalWORKs Recipients	43,580,000	46,958,000	38,832,000	(4,748,000)	-10.89%	43,580,000	0
Student Financial Aid Administration	51,640,000	58,321,000	45,044,000	(6,596,000)	-12.77%	51,640,000	0
Student Senate	-	300,000	-			-	
Telecommunications / Technology Svcs / C.V. U	26,197,000	33,547,000	23,343,000	(2,854,000)	-10.89%	26,197,000	0
Transfer Education and Articulation	1,424,000	12,424,000	1,269,000	(155,000)	-10.88%	1,424,000	0
Mandates (6870-295-0001)	4,004,000	24,004,000	4,004,000			29,004,000	25,000,000
Total Categorical Funds	709,976,000	1,060,675,364	657,504,000	-52,472,000	-7.39%	723,976,000	14,000,000
Ongoing Funds Subtotal	6,402,525,000	7,201,859,364	6,457,755,000	55,230,000	0.86%	6,482,809,000	80,284,000
One-Time Funds (Prop. 98 Reversion & Settle-up)							
Physical Plant & Instructional Support	8,084,000	200,000,000	-			-	
Career Technical Education SB 1133	32,000,000		38,000,000				
Nursing Equipment / Allied Health Equipment	8,084,000						
Nursing Program Simulators	4,000,000						
Mandate reimb (SB 1108, Chapter 216 Statutes 2004)	0	40,000,000	25,000,000				
Career Technical Education	0	30,000,000					
Technology Items	0	1,300,000					
Open Educational Resources		3,000,000					
Cal PASS	1,000,000						
Basic Skills (06-07 funds; available one-time)	included in 06-07						
ONE-TIME VETO SET-ASIDE	5,500,000						
One-time Prop 98 Funds Subtotal	58,668,000	274,300,000	63,000,000				
Miscellaneous (Non-program) Items							
Mandate reimbursements (see above)							
Fiscal Crisis Management Assistance Team (FCMAT)	570,000	570,000	508,000				
STRS Payments for CCC Employees	87,812,000	88,128,000	88,128,000				
Lease-Purchase Bond Payments	58,328,000	68,122,000	68,122,000				
Lottery	167,535,000	167,535,000	167,535,000				
Total State-Determined Funding	6,775,438,000	7,800,514,364	6,845,048,000				
Funded FTES	1,171,258	1,212,252	1,182,971				
Prop 98 (Local) Ongoing Funding per FTES	5,466	5,941	5,459				
Prop 98 (Local) One-Time Funding per FTES	50	226	53				
Funding per FTES	\$ 5,785	\$ 6,435	\$ 5,786				