



S TATE BUDGET UPDATE

UPDATE #4 ♦ MAY 14, 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 Releases May Revise – Community College’s Budgets Adjusted in the Current Year and Budget Year

Governor Arnold Schwarzenegger released his revised budget today, which included current year augmentations for K-14 education, and, most significantly, a proposal to fully fund the Proposition 98 guarantee in the budget year. The Governor reversed his January proposal to suspend the Proposition 98 guarantee for 2008-09 – primarily because the deteriorating state revenue situation results in the minimum guarantee calculation increasing year to year by only \$193 million.

The May Revise reflects the Governor’s ongoing commitment and support for community colleges and does not include a proposal to raise student fees. The May Revise contains the following proposals related to community colleges:

Current Year

The Administration proposes to backfill a portion of the estimated \$92 million property tax shortfall in the current year. The proposal utilizes a portion of the resources captured last year as part of the \$80 million apportionment reduction in the 2006-07 fiscal year, and an estimated portion of new Proposition 98 reversion funds for a total property tax backfill of \$75 million. The Administration proposes the full \$75 million will be made available in the 2008-09 budget year on a one-time basis.

Budget Year

The Administration proposes to fund an additional \$35.5 million for growth in apportionments - bringing the proposed amount available to \$95.5 million (1.67%). This is a welcome augmentation given that the current year FTES increase was 2.84 percent. The system anticipates natural demographic increases on the 2.6 million student base, potential student redirections from UC/CSU, and an increased number of students returning to community colleges due to the downturn in the state economy for short term training.

In addition, the Administration continues to support open access and proposes to keep fees at \$20 per unit for 2008-09. The governor continues to propose categorical program cuts averaging 7% and does not include a cost-of-living adjustment for either K-12 or community colleges.

In addition to the adjustment mentioned above, the following minor adjustments are also included:

- An increase of \$572,000 to restore the Foster Care Training reduction proposed in the January budget.
- An increase of \$138.7 million to offset the reduction in estimated property tax revenue for 2008-09.
- A decrease of \$1.8 million to reflect an increase in offsetting oil and mineral revenue.
- An increase of \$717,000 for the Board of Governor’s Fee Waiver program.
- The addition of provisional language to provide colleges flexibility to transfer funds between categorical programs in two programmatic areas – part-time faculty programs and selected student services programs.