



S TATE BUDGET UPDATE

UPDATE #5 ♦ MAY 30, 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.

Assembly Budget Sub-Committee “closes out” by augmenting Governor’s May Revise by \$2.3 billion for K-14 Education

On a strictly party line vote the Assembly Budget Sub-Committee augmented Governor Arnold Schwarzenegger’s May Revise Proposition 98 proposal of \$56.7 billion, by adding an additional \$2.3 billion. Committee Chair Assemblymember Julia Brownley indicated the education subcommittee was NOT the subcommittee in which overall statewide revenue enhancements would be discussed. However, she did indicate the total amount of revenue enhancements the Assembly budget was premised upon was roughly \$6 billion – with roughly \$2.3 billion of that increase directed to K-14 Proposition 98. Assemblymember Brownley indicated specific details related to the \$6 billion of anticipated revenue enhancements will be released over the course of the next few days and the League will communicate the details as soon as they become available.

Current Year

The Assembly adopted the May Revise proposal to backfill the property tax shortfall in the current year. The Assembly 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. These funds would be reappropriated in the 2008-09 Budget Act and would be made available during the 2008-09 fiscal year on a one-time basis.

Budget Year

The Assembly proposes to fund \$113.5 million (2.0 percent) for enrollment growth – an additional \$18 million over and above the amount proposed in the Governor’s May Revise. 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.

Also, the Assembly proposes to fund a partial K-14 COLA of 1.60 percent. For community colleges this would translate into roughly a \$93.5 million augmentation to fund a partial COLA.

In regards to student fees the Assembly does NOT propose a fee increase. Additionally, on Wednesday, May 28th the Assembly rejected the Administration’s May Revise proposal to eliminate the Competitive Cal Grant program.

Finally, the Assembly subcommittee took action on the overall Proposition 98 package to reject **ALL** budget balancing reductions impacting the categorical programs. Specific line item detail amounts will be made available as soon as the detail is made available from the budget subcommittees. In addition, the Assembly rejected the Administration’s May Revise proposal related to categorical flexibility.

Lastly, on the Capital Outlay front - the Assembly subcommittee took action similar to the Senate subcommittee action of last week – deleted from the 2008-09 budget bill all higher education capital outlay projects proposed for funding from the yet-to-be-enacted statewide 2008 Education General Obligation bond. The reason given was the same as expressed in the Senate last week – a desire to NOT “pre-fund” projects for which no legislation has yet been identified to enact a bond in 2008.

The actions taken by the Assembly today close out the work of the Education Budget Sub-Committee and the budget package now moves forward to the full Assembly and from there to conference committee.