BUDGET BRIEFING

COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

CALIFORNIA COMMUNITY COLLEGES

☑ A Solution for the California Economic Downturn

We are pleased that the governor in his proposed budget puts students first and recognizes community colleges as the safety net for higher education and job training. The governor has prioritized community colleges, recognizing that cuts at UC and CSU and the increasing unemployment rate is creating a surge of community college enrollment across the state. The community colleges are the most efficient and effective means of delivering high quality education in times of dwindling state resources; in doing so, community colleges are a major part of the solution to the state's budgetary woes. Every $1 invested in higher education and their students generates $3 to the state.

While community colleges will experience significant cash management costs associated with the apportionment deferral and will likely continue to serve over 100,000 unfunded students under the plan, we recognize that we must step up to the plate and offer the essential workforce training and education opportunities that will put Californians back to work.

We encourage the Legislature to consider the governor's strategy of legally reducing the state's appropriations to community colleges without programmatic cuts, so long as language is provided that gives the Chancellor discretion to consider district financial health when allocating the deferral among colleges.

Community colleges are the largest provider of workforce training in California, offering more than 175 degree and certificate programs in hundreds of vocational fields such as nursing, business, and computer science. More than 80% of all community college students work while attending college and many seek re-training, skill upgrades, and license retention and renewal.

***ACTION*: Protect California's education safety net, by keeping job training and education programs open for California's students and businesses.**

☑ Provide Stable Funding in Order to Maintain a Comprehensive Instructional Program

The governor's proposal to eliminate the statutory cost-of-living adjustment in the 2008-09 and 2009-10 fiscal year will result in a **cut to per-student funding of 11%, or a cut of over $600 per student**. This is leading to increased class sizes, and fewer instructional and student services necessary for student success. If this budget plan is enacted, over a three year period, **community colleges will have been cut by over $750 million** from the level approved by the voters in Proposition 98 at a time of rapidly growing enrollment and increased career technical education demands. **While community colleges continue to tighten their belts, it is essential that community colleges be given the same ability provided to K-12 schools to restore this purchasing power when the state's budget situation improves**.

Ensure community college purchasing power is not eroded by funding a deficit factor for lost COLA and any reductions to the general apportionment.

As we emerge from this budget crisis, it will be important that we restore the instructional and student services quality that will be lost due to the number of unfunded students and an eleven percent reduction in purchasing power through the suspension of the statutory cost-of-living adjustment.
In the 2008-09 fiscal year, the LAO estimates that K-14 property taxes will fall $460 million below projections. While the LAO doesn't disaggregate the estimates between school and community college districts and makes a statewide estimate (as opposed to a series of local estimates), the numbers should offer a strong caution to community college districts.

Should the LAO estimate prove to be true and proportional to the Budget Act's estimates, community college property taxes will likely be short between $55-60 million in the current year. Unlike K-12 schools, these funds are not automatically backfilled by the state's General Fund, and would represent a roughly 1 percent cut to community colleges.

The fiscal downturn experienced by the State will last several years and while K-14 benefits from the protection of Proposition 98 - the minimum guarantee may not provide sufficient resources. Unless the Legislature decides to treat Proposition 98 as a floor rather than a ceiling or to divide Proposition 98 resources proportionate to enrollment, the guarantee will not likely increase enough to fund both COLA and enrollment growth in each of the next five years jeopardizing California's higher education safety net.

***ACTION*: The League applauds the governor's signal that he is supportive of ending the longstanding uncertainty created by property tax shortfalls, and we look forward to seeing legislative language to provide this protection.**

BUDGET BRIEFING

CALIFORNIA COMMUNITY COLLEGES

COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

☑ Colleges Experiencing Unprecedented Enrollment Growth

The governor's proposed budget largely keeps reductions away from the classroom to minimize the enrollment loss that could lead to a "downward spiral" of declining educational opportunity.

In the 2007-08 fiscal year, the colleges served roughly 16,000 more FTES than the state provided reimbursement.

In the 2008-09 fiscal year, a preliminary headcount survey revealed a 10 percent increase in fall to fall enrollments over the prior year. It is anticipated this surge in enrollments, driven again by increased unemployment and redirections from UC/CSU, will significantly exceed the 2 percent enrollment growth included in the 2008-09 Budget Act.

The budget provides **funding for 36,000 new full-time students in 2009-10 (3% enrollment growth funding)**, which would bring funded FTES enrollment to an all-time high of 1.22 million students. The governor's budget includes funding for enrollment growth for selected categorical programs, including EOPS, CARE, DSPS, Matriculation and Student Financial Aid Administration.

While colleges are stepping up to ensure California maintains its competitive edge by educating the workforce, colleges face difficult choices -multiple years of unfunded FTES and a lack of COLA compromise the delivery of instruction. Enrollment management is an "art form" rather than a "science" and colleges are trying to cautiously reduce expenditures while at the same time not severely curtailing the delivery of instruction which could lead to declining enrollment.

☑ Proposed Cal Grant Cuts Hurt Low-Income Students

The Governor proposed budget again includes a reduction of the competitive Cal Grant program which would eliminate all new awards. Currently, 70% of these awards are provided to community college students. This is essential funding for our students at a time when community colleges are being urged to concentrate on success as well as access.

Research shows that 81% of our students work an average of 32 hours per week; of our independent students, 35% work full-time while carrying a full-time course load, and these heavy workloads create significant barriers to student success; financial aid (including competitive Cal Grants) is an important means to increase student success.

ACTION: We urge rejection of the elimination of the Competitive Cal Grant Program.

☑ Low Cost Instructional Programs Balance Out High Cost Instructional Programs

The Legislative Analyst proposed reducing funding to the regular noncredit rate for certain credit physical education classes and certain credit art classes.

Cuts to perceivably low-cost course offerings have a consequential effect on high-cost programs, such as nursing and allied health. Targeting certain classes as "low priority" ignores that they may be required for degrees, transfer or career-technical programs (such as drawing for digital arts). UC and CSU receive the same amount of money for students, even though students in the biological sciences cost more. Social sciences and physical education, among other programs, offset those higher costs, which leads to a well rounded curriculum.

ACTION: Cuts to targeted course sections are essentially unallocated reductions in an already woefully underfunded system.

☑ Capital Project Funds Frozen

The Pooled Money Investment Board (PMIB), which is the entity that handles the disbursement of the funds for approved capital projects, has frozen all disbursements until further notice. Colleges have been instructed that they may not receive reimbursement for any costs incurred after December 17 for projects already approved, and in most cases, already underway. This is an unprecedented occurrence, and districts who do not have available bond monies to fund the projects are either halting projects or are looking for other ways to fund them in the interim – either borrowing from their general fund and reserves or from other sources, such as Lease Revenue Bonds or other Notes. The impact of halting capital projects is large, as districts face potential lawsuits for breaking contracts or potential cash flow deficits if borrowing from their general fund or reserves. Borrowing in current market conditions is becoming more and more expensive, and borrowing costs are not reimbursable by the state if and when the PMIB releases funds.

The PMIB has $500 million in funds, and $18 billion in callable projects. In addition, because they operate on a reimbursement basis, they do not sell the bonds until they receive the request for reimbursement. The State's budget impasse and current market conditions have rendered them effectively unable to sell bonds at acceptable rates. Districts typically expect a 30 to 60 day lag in reimbursements, and so the freeze in reimbursements will likely become a larger issue in the next 6 weeks or so.

ACTION: We urge the Legislature to quickly resolve the budget impasse in a fair and responsible manner to enable construction teams on community college projects to get back to work.