

CAPITOL DAYS

Community College League of California

Budget Update

Theresa Tena – Dir. Fiscal Policy CCLC

June 22, 2010

AGENDA

A. State Funding

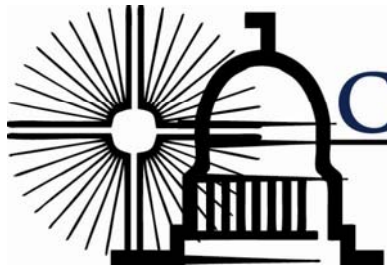
1. Revenue Drop
2. Expenditure Impacts – Proposition 98

B. CCC Funding

1. 2009-10 Revised Budget
2. CCC 2010-11 Package
3. Not in Conference – Enrollment Fees

C. 2010-11 Conference Committee

1. Zero Based Budgeting
2. Bills in Budget
3. Long, Hot, Summer...



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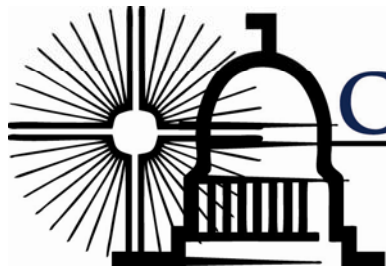
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State Funding

A. Revenue Drop

1. "Revenue Reset"

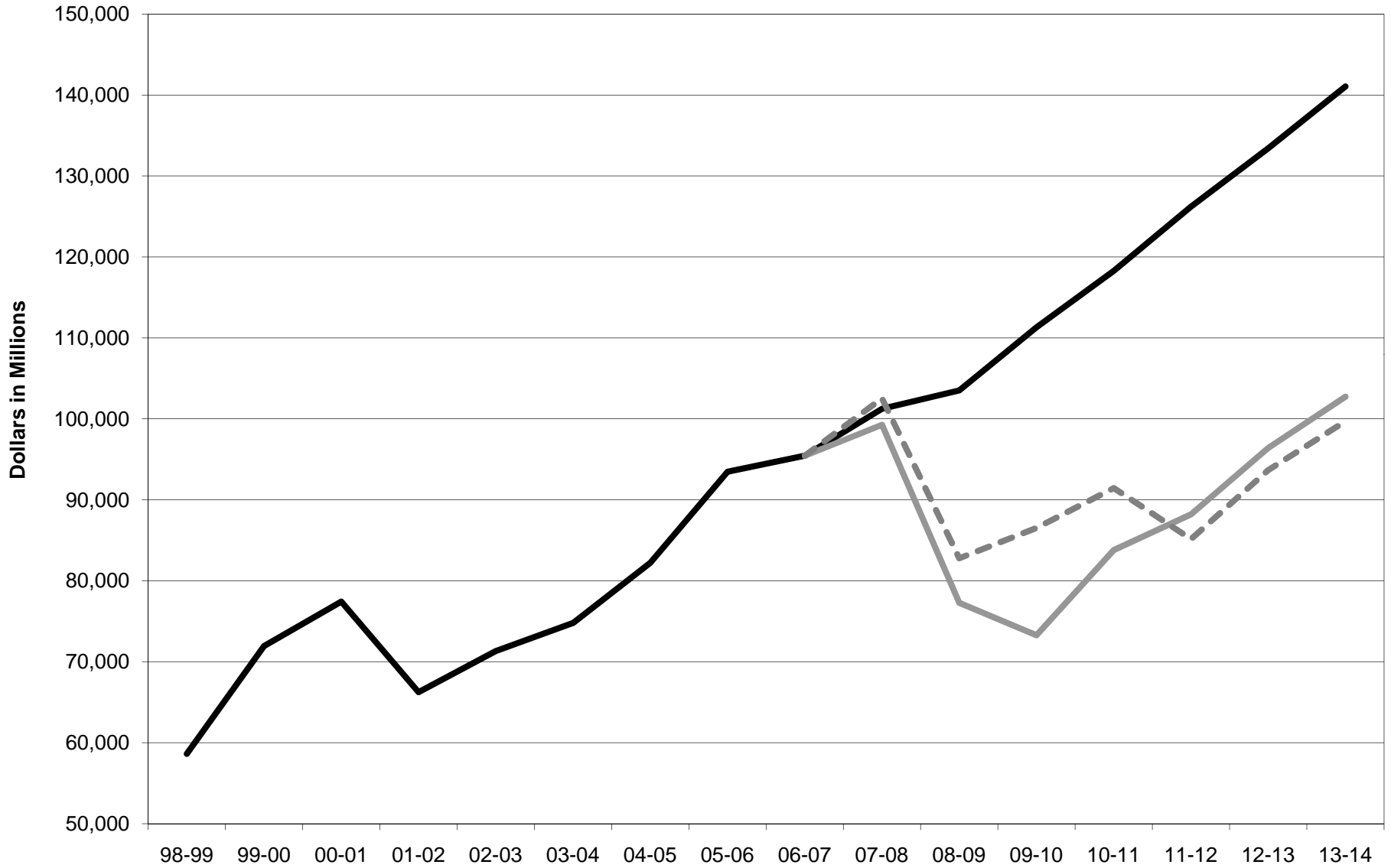
- a. 2007-08 Budget Projection done May 2007; assumed that revenue would continue to grow at a fairly good clip
- b. The depth of the collapse was unforeseen
- c. Baseline Revenues – what revenues have actually been when you take out policy changes to tax law over the last 2 years.
- d. Budget Revenues – what actual/projected revenues are with all of the tax changes in them.



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2007-08 Projected Revenues Compared to 2010-11 May Revision Projections



State Funding

- A. Financial System and Market Bubble Collapse
- B. Collateral Damage of housing price reductions and easy terms financing – Sales Taxes, Business Income Taxes, Capital Gains
 1. Sales Taxes is responsible for \$10 B of the difference from the 2007-08 forecast and current baseline revenues.
 2. Sales taxes have been declining even prior to 2007 – this source of tax revenue not expected to rebound.
 3. Business income taxes responsible for \$7 B of the difference.

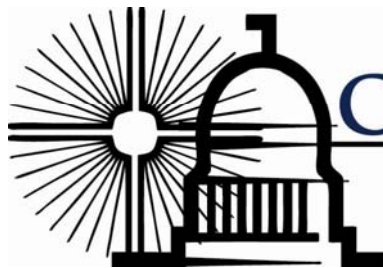


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State Funding

- A. Financial System and Market Bubble Collapse
- B. Collateral Damage of housing price reductions and easy terms financing – Sales Taxes, Business Income Taxes, Capital Gains
 1. Capital Gains Taxes – plunged by 73% since their 2007 peak
 2. Capital Gains responsible for \$8 B of the gap between 2007-08 projection and baseline for 2010-11.
 3. Long term – expect a recovery for Capital Gains

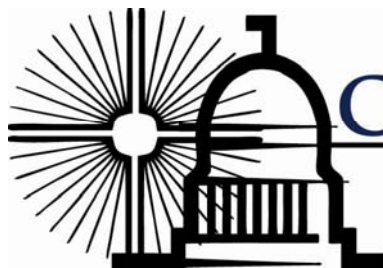


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State Funding

- A. Structural Shortfall - \$19.1 B Gov proposes \$1.2 B Reserve;
1. May Revise - \$12.2 B expenditure reductions – 2/3rd of the “solutions” to close the shortfall
 2. Eliminates Cal Works
 3. Eliminates need based, subsidized child care
 4. Reductions Health & Human service programs
 - a. Medi-Cal: impose limits on services; increase co-pay
 - b. Reduce In-Home Support Services

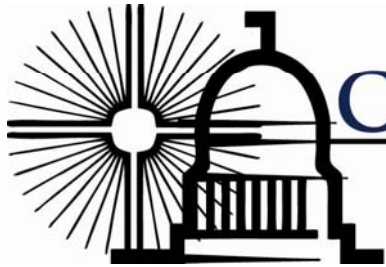


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State Funding

2010-11	May Revise	Assembly	Senate
Revenues	\$91.5 B	\$93.6 B	\$96.8 B
Key Revenue Differences	Limited additional revenue	<ul style="list-style-type: none"> •Suspends previously approved corporate tax reductions •Imposes oil severance tax and decreases state sales tax by ¼ cent 	<ul style="list-style-type: none"> •Suspends or changes previously approved corporate tax reductions •Extends temp tax increases; increases VLF and raises alcohol taxes
Expenditures	\$83.4 B	\$86.1 B	\$93.1 B



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State Funding

A. Expenditure Impacts

1. Proposition 98: Competing Proposals

- a. Gov proposes P98 re-benchmarked down due to child care elimination; renegotiate ABX4 3

2010-11	May Revise	Assembly	Senate
Proposition 98	\$48.9 B	\$54.0 B	\$51.2 B

B. LAO – recommends “suspension” in the CY and BY “how much can the state afford given its other budget pressures”

1. Under current law in 09-10 P98 owed \$1.3 B absent suspension; 10-11 P98 owed \$4.1 B when compared to May Revise.



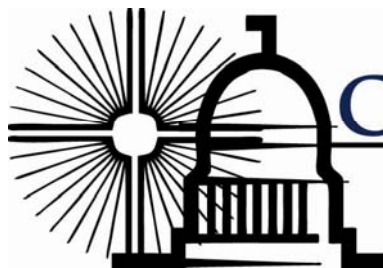
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CCC Funding

A. 2009-10 Revised Budget

1. An 8% overall system reduction
 - a. Apportionment Reductions
 - i. Workload reduction
 - b. Categorical Programs slashed
 - i. 40% reduction over the 2008-09 levels – Basic Skills, DSPS, EOPS, CARE,
 - ii. 52% reduction over the 2008-09 levels - Matriculation



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CCC Funding

A. CCC Funding

1. CCC Package

a. GROWTH

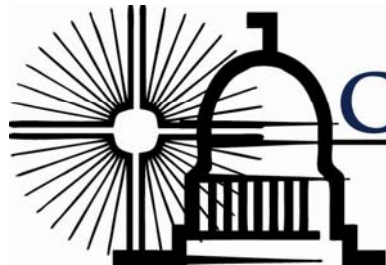
b. CATEGORICALS

i. Economic Development \$100 M

ii. Basic Skills

iii. Financial Aid

B. NOT IN CONFERENCE – ENROLLMENT FEES



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2010-11 Conference Committee

A. 2010-11 Conference committee

1. Zero Based Budgeting
2. "Bills in Budget"
3. Long, Hot Summer....

B. QUESTIONS????????????

