

CALIFORNIA COMMUNITY COLLEGES CHANCELLOR'S OFFICE

Budget Update
May 17, 2011

BUDGET TIMELINE FOR 2011-12 BUDGET

In the Beginning, there was the

Governor's Budget

January 10, 2011

GOVERNOR'S BUDGET

- \$400 million cut for “Apportionment Reductions and Reforms”
- Stated intent to enact reforms to census accounting procedures to improve course completion rates
- \$400 million represents approximately a 7% cut in funding

GOVERNOR'S BUDGET HIGHLIGHTS

- ◉ Fees increased by \$10, from \$26 per credit unit to \$36 per unit
- ◉ Would generate \$110 million in new revenue to be used to support additional enrollments
- ◉ “Additional enrollments” would constitute 1.9% growth, or about 22,700 new FTES or 50,000 headcount.

GOVERNOR'S BUDGET HIGHLIGHTS

- Additional \$129 million in inter-year deferrals
- No change to categorical program funding levels
- Extends categorical flexibility provisions for an additional 2 years, to 2014-15.

THE LEGISLATIVE ANALYST WEIGHS IN

- LAO suggests strategies to prioritize course enrollment in a January 20 report:
- Registration priorities could be altered to favor students making the most progress
- Caps on the amount of apportionment-funded credits could be instituted
- Limits on course repetition could help ensure seats for students most likely to complete a degree or certificate program

THE LEGISLATIVE ANALYST ON FEE INCREASES

- ◉ LAO report on January 27 states that higher student fees are offset by federal tax credits and tax deductions, thus ensuring California students receive a larger share of federal education assistance.
- ◉ Repeats LAO's ongoing messaging that CCC fees are lowest in the nation, and that the lowest income students are not hurt by fee increases due to BOG waivers.

LAO “DOOMSDAY SCENARIO”

- Senator Mark Leno, Chair of Senate Budget and Fiscal Review Committee, asked LAO for alternative options in case tax extensions didn't occur
- LAO presented multiple options in a letter dated February 10
- Possible actions affecting community colleges would total \$685 million if all were enacted

LAO “DOOMSDAY SCENARIO”

- ◉ 90-unit cap on subsidized credits
- ◉ Fee increase to \$66 per unit
- ◉ Reduce funding for basic skills credit courses to non-credit rate
- ◉ Eliminate state subsidy for intercollegiate athletics
- ◉ Eliminate state funding for repetition of PE and fine arts (“activity”) classes
- ◉ Eliminate state funding for such classes entirely

LEGISLATIVE ACTION

- Senate and Assembly Budget committees began meeting February 18
- Both houses rejected proposed census date reforms; recognition of Student Success Task Force addressing the completion issue
- Agreement that \$400 million cut will be taken as a workload reduction
- Both houses also rejected the proposed use of the \$110 million fee increase to fund Growth; instead it is a partial offset to the \$400 million cut, for a net of \$290 million

GOVERNOR'S TIMELINE

- Governor planned to have budget settled within 60 days and get tax extensions on June ballot
- By mid-March, the 60-day deadline had passed and no Republicans agreed to consider tax extensions
- The June ballot option evaporated
- Early on, the Governor said if the tax extensions weren't passed, "just double" the cuts proposed in his budget

BUDGET ACTIONS TAKEN

- Deficit started at \$25.4 billion in January
- In March, Legislature passed \$13.4 billion in budget solutions, which included:
 - Reducing CalWORKs and Medi-Cal
 - Closing up to 70 state parks
 - Eliminating Adult Day Health Care and Williamson Act
 - Reducing state workforce by 5,500 positions and requiring employees to pay at least 3% more for their retirement costs

OTHER EVENTS

- The tax revenue forecast was revised upward by \$2.8 billion for 2010-11 and \$3.5 billion for 2011-12 due to higher than anticipated cash receipts
- This results in an increase in Proposition 98 funding of \$3 billion
- A proposed shift of \$1 billion from children's health services is in litigation
- The sale of state buildings was cancelled

REPUBLICAN BUDGET

- ◉ On May 12, Assembly Republicans put forth a budget proposal with no tax extensions
- ◉ \$2.3 billion would be shifted from tobacco tax funded First 5 and Proposition 63 mental health accounts
- ◉ Savings of \$1.1 billion from contracting out services, including electronic court reporting and UC operating prison health care
- ◉ Another \$1.1 billion cut to state employee compensation, through layoffs or increases to employee health care costs

CURRENT BUDGET SITUATION

- Deficit now at \$9.6 billion with higher revenues and actions taken in March
- With a \$1.2 billion reserve proposed, new target amount is \$10.8 billion
- This represents approximately 11% of the state's General Fund revenues

MAY REVISION

- Governor's new proposal focuses on paying down debt and reducing state government
- Eliminates 43 boards, commissions, task forces, offices and departments
- Realigns responsibilities to local government
- Extends current tax levels for sales tax and vehicle license fees, while personal income tax surcharge is not sought for 2011-12 but would be reinstated for 2012-13 through 2015-16.

COMMUNITY COLLEGE IMPACTS

- \$3 billion in increased Proposition 98 funding will be dedicated to reversing deferrals
- For Community Colleges, \$350 million will reduce the inter-year deferrals from \$961 million to \$611 million
- Any new Proposition 98 funds will be used to erase deferrals and pay off mandate claims
- For current year, a \$57 million increase in property taxes will help mitigate deficit

WHAT IF TAXES DON'T PASS?

- ◉ No concrete proposals put forth
- ◉ Proposition 98 would be suspended, likely for multiple years
- ◉ A potential \$5 billion reduction in Prop 98 funding was mentioned, with various alternatives for reaching that amount, including cutting 52,000 courses and/or raising fees as high as \$125. These are not actual proposals, just illustrations of the magnitude of the problem if current taxes are not extended.

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