

# 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.

# CHANCELLOR'S OFFICE STAFF

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