

**2009-10
Budget in Brief
Chabot-Las Positas Community College District**

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**Summary of the Governor's January
Budget Proposal for Fiscal Year 2009-10**

On December 31, 2008, the Governor released his State Budget Proposal for the 2009-10 fiscal year, described as the most challenging budget in the State's history. The budget identifies a \$41.6 billion shortfall, including a \$2 billion reserve, between expected revenues and expenditure requirements over an 18 month period ending June 30, 2010. The proposed solutions to the \$41.6 billion budget gap falls into three (3) broad categories; expenditure reduction, higher revenues, and borrowing. Below is a summary of the Governor's Budget Proposal as it relates to the California Community Colleges and the Chabot-Las Positas Community College District.

The major components of the 2009-10 Budget Proposal for California Community Colleges include:

For the Current Year 2008-09

- Delete the 0.68% Cost of Living Adjustment (COLA) that had been included in the 2008-09 Budget
- Provide districts with the flexibility to transfer any categorical allocations to the general fund. Districts would be required to sunshine their transferred fund decisions in public hearings
- Defer CCC apportionment on an ongoing basis, \$230 million in January and February until July of the subsequent fiscal year

For the Budget Year 2009-10

- 3% growth (increase of \$185.4 million) to fund approximately 36,000 FTES
- Funding for growth for selected categorical programs
- No COLA – estimated to be 5.02% (would save the state \$322.9 million)
- Suspension of *all* CCC reimbursable state mandates (would save the state \$4 million)
 - This proposal is a response to a recent court ruling in which the court ordered the Legislature in the future to comply with the constitutional requirements of Article XIII B, Section 6, by fully funding state mandated programs, and foregoing the practice of deferring mandate reimbursements while requiring districts to do mandated activities. Rather than proposing to repeal the mandates, the state, which intends to appeal the court's decision, decided to suspend them.

- Increase of \$167.5 million to replace the allocation of State Lottery revenues to community college districts with Proposition 98 General Fund dollars pursuant to the Lottery securitization proposal
- No change in student fees
- Increase of \$934,000 to compensate colleges for administration of Board of Governor fee waivers
- Continuation of 2008-09 proposed categorical flexibility
- Administration-sponsored legislation to reduce or eliminate the uncertainty districts face with regard to property tax revenue and the backfill of apportionment fund

The Governor also makes the following recommendations affecting community colleges:

- An increase of \$280,000 for Chancellor's Office state operations workload
- Elimination of the CalGrant Competitive Program (would save the state \$59.2 million)
- Freezing CalGrant income eligibility limits at 2008-09 levels

Proposition 98

Proposition 98 sets in the State Constitution a series of complex formulas that establish the minimum funding level for K-12 education and the community colleges from one year to the next. This target level is determined by prior-year appropriations that count toward the guaranteed and (1) workload changes as measured by the change ADA, and (2) inflation adjustments as measured by the change in either per capita personal income or per capita state General Fund revenues, whichever is less. For California public education in 2008-09 and 2009-10, these factors have collapsed all at the same time.

2008-09 Proposition 98 Reduction

The Governor's Budget projects that the Proposition 98 guarantee for 2008-09 will drop from the budgeted level of \$58.1 billion assumed in the 2008-09 Budget Act to \$50.2 billion as a result of the collapse in state revenues and then will increase to \$51.5 billion after including \$1.3 billion in new revenues included in this proposal.

2009-10 Proposition 98 Minimum Guarantee

For the budget year, the Governor's Budget assumes adoption of the current-year proposals and thus the guarantee is built off of a considerably lower base. Under this assumption, the 2009-10 Proposition 98 guarantee would be \$55.9 billion, an increase of \$4.4 billion, or 8.6%, above the revised current-year guarantee.

This increase in the Proposition 98 guarantee, however, does not provide education additional resources to expand services in 2009-10. Instead, these funds are completely used to backfill one-time adjustments made in 2008-09, with further cuts proposed in the Budget year to fully meet current-year and Budget-year obligations.

Revenue Proposals

The Governor's Budget indicates that, of the \$41 billion budget gap for 2008-09 and 2009-10 combined, roughly three quarters of the problem is related to revenues falling short of projections. As a result, the Governor is proposing a number of measures to raise additional revenues. Some of these proposals are temporary, but others would continue as permanent revisions to the State's tax laws.

Proposal	2008-09 (in millions)	2009-10 (in millions)
Temporary 1.5c sales and use tax	\$2,350	\$7,114
Broaden sales tax base	\$272	\$1,154
"Nickel-per-drink" alcoholic beverage tax	\$244	\$585
9.9% oil severance tax	\$358	\$855
Reduce dependent exemption credit	-	\$1,440
Increase vehicle registration fees	\$92	\$359
Special fund transfers and loans	\$298	\$94

Deferrals of General Apportionment

Existing Deferral

- There is no change proposed to the existing \$200 million June to July deferral implemented back in 2003-04

New Deferral Proposals

- The Governor proposes to REPLACE provisions of the recently enacted 2008-09 Budget Act that deferred \$245 million split equally from district general apportionment payments for January, February and March and returned to districts in April, May and June with a deferral of \$230 million from January and February (\$115 million each month) to be repaid in July, 2009. Like the existing deferral, the \$230 million will be ongoing
- Under the proposal, the total amount of the CCC deferrals for the current year would equal \$430 million, with the deferred dollars being repaid in total in July, 2009
- There is an additional deferral of \$200 million for 2009-10. This would defer \$200 million of the regular July, 2009 Advance Apportionment funding to October of the same fiscal year
- All deferrals are proposed as permanent changes to the CCC budget

Other Items

CalGrant

The California Student Aid Commission (Commission) has been notified by the State

Controller's Office (SCO) that it may take up to thirty days before the spring semester CalGrant Term Advance is disbursed. The timing of payment depends on the resolution of current state budget issues.

In response to the disbursement delay, the District has decided to advance the funds to CalGrant recipients for the spring 2009 semester.

Suspension of State-funded General Obligation and Lease Revenue Bonds

With the inability to borrow cash, the Pooled Money Investment Board (PMIB) voted on December 17, 2008 to freeze all disbursements from AB 55 loans with the exception of accrued interest and necessary administrative costs. The PMIB took this action to preserve necessary cash resources to pay the day-to-day operational needs of the state for the balance of the fiscal year.

The District has an outstanding request for reimbursement of about \$2.1 million.

Federal Stimulus Package

On January 15, 2009 House Appropriations Committee Chairman, David Obey (D-Wisconsin) announced a proposal for a \$825 billion economic recovery package-the "American Recovery and Reinvestment Bill of 2009." According to materials released by Congressional Democrats, the proposal would add more than \$40 billion for K-14 education-related programs, with the expressed intent to help "state begin tackling a projected \$350 billion in budget shortfalls" by preventing "cuts to critical education program and services." California's estimated share of proposed funding would add more than \$3 billion federal funding for K-14 education.

For the Chabot-Las Positas Community College District, the Governor's proposal would mean:

For the current year 2008-09

- Elimination of the 0.68% COLA, about \$578,000
- Flexibility to redirect categorical monies

For the Budget year 2009-10

- 3% growth, about \$2.4 million
- No COLA, estimated at 5.02%, about \$4.3 million
- Continuation of the 2008-09 categorical flexibility

Sources of information:

California Community College System Office

Community College League of California

Association of California Community College Administrators (ACCCA)

Association of Chief Business Officials (ACBO)

School Services of California (SSC)