

**Chabot-Las Positas Community College District  
Budget in Brief  
2010-11**

**Summary of the Governor's January  
Budget Proposal for Fiscal Year 2010-11**

On January 8, 2010, the Governor released his State Budget Proposal for the 2010-11 fiscal year. The budget identifies a \$19.9 billion budget deficit for the remainder of the current year and the upcoming budget year. The Governor declared a fiscal emergency and called the legislature into a special session. The proposed solutions to the \$19.9 billion budget gap fall into three broad categories: expenditure reductions (\$8.5 billion), assumed increases in federal aid (\$6.9 billion), and alternative funding/funding shifts (\$4.5 billion). The Governor is not proposing any new or higher taxes to help solve the budget deficit. The Governor's budget "...protects education, including higher education, from additional deep cuts." However, a list of potential budget solutions would be "triggered" if the assumed increase in federal aid does not materialize.

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 2010-11 Budget Proposal for California Community Colleges include:

For the Current Year 2009-10

- No midyear cuts
- The deficit for base apportionments is increased from \$58 million to \$63.1 million due to decreases in student fee and oil and mineral revenues, partially offset by increases in local property tax estimates
- Increase in California Energy Commission local assistance reimbursements to award grants to community college districts to develop training programs and curriculum in transportation and alternative fuel technologies (\$1.5 million)
- Increase in CalWORKs reimbursements (\$6.2 million)
- Increase in estimated Lottery revenues (\$12.1 million)

For the Budget Year 2010-11

- 2.21% growth in apportionments to fund 26,000 Full-Time Equivalent Students (FTES) statewide (\$126 million)
- -0.38% statutory COLA, which is applied as a negative adjustment to apportionments and applicable to categorical programs (-\$22.9 million)
- Increase in Proposition 98 General Fund to offset estimated decreases in local property taxes, oil and mineral revenues, and student fee revenues and an estimated increase in costs for the administration of fee waivers (\$39.3 million)

- Increase in California Energy Commission local assistance reimbursements to award grants to community college districts to develop training programs and curriculum in transportation and alternative fuel technologies (\$1.5 million)
- Suspension of all state-mandated reimbursement programs
- Apportionment deferrals continue as implemented for 2009-10
- Increase of \$2.1 million for Financial Aid Administrative Support
- Reduction of \$10 million from Part-Time Faculty Compensation
- Reduction of \$10 million from Extended Opportunity Programs and Services (EOPS)
- Increase in Career Technical Education (CTE) program funding pursuant to SB 70 (\$20 million)
- Quality Education Investment Act (QEIA) CTE program funding is maintained at \$48 million but, in a funding shift, is funded outside of the 2009-10 Proposition 98 Guarantee
- Suspension of new awards for the Cal Grant Competitive program (-\$45.5 million)
- Increase in estimated Lottery revenues (\$4.5 million)
- Maintains student fees at current \$26 per-unit level

### **Proposition 98**

Proposition 98 sets in the State Constitution a series of complex formulas that establish the minimum funding level for K-12 and the community colleges from one year to the next. This target level is determined by prior-year appropriations that count toward the guarantee and (1) workload changes as measured by the change in average daily attendance (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. Under certain circumstances, the minimum level is set by a fixed percentage of General Fund revenues. Through a series of manipulations, fund shifts, and new interpretations of the constitutional measure, Proposition 98 is becoming even more complex and providing an even less certain guarantee of funding for K-12 education and the community colleges.

#### **2009-10 Proposition 98 Reduction**

The Governor's Budget projects that the Proposition 98 guarantee for 2009-10 will be \$49.9 billion, a drop of \$568 million from the \$50.4 billion assumed in the 2009-10 Budget Revision. The current-year drop in the guarantee will not result in midyear cuts to funding received by K-12 districts and community colleges. Instead, the State will capture over-budgeted amounts in K-12 education's K-3 Class-Size Reduction program and other programs for which local entitlements and claims are lower than initially assumed.

## 2010-11 Proposition 98 Minimum Guarantee

For the budget year, the minimum guarantee is projected at \$50 billion, essentially unchanged from 2009-10. In both years the guarantee is determined by Test 1 – a fixed share of General Fund revenues – which is set at 41.2%.

Two significant issues emerge with regard to Proposition 98 in the Governor’s Budget. First, the proposal to eliminate the state tax on gasoline has the effect of reducing General Fund revenues by \$1.6 billion, which drives the calculation of the minimum guarantee. The proposal to substitute this loss with an increase in the excise tax on gasoline, however, cannot be counted as an offsetting adjustment because these revenues do not flow through the General Fund. As a result, the minimum guarantee will be lower than what it would have been absent this proposal.

Second, in prior years when state tax revenues were weak and funding was determined by Test 3-per capita General Fund revenue growth plus ½ percent, the state tracked an amount owed to K-14 education known as the Maintenance Factor. Last year a dispute arose between the Department of Finance (DOF) and the education community regarding whether a Maintenance Factor amount is generated in a Test 1 year, with the DOF asserting that it was not. Ultimately, this issue was resolved legislatively, with the 2009-10 Budget Revision including a provision to pay K-14 education \$11.2 billion over a number of years, commencing in 2010-11.

For 2010-11, the Governor’s Budget indicates that funding will again be determined by Test 1. However, there is no recognition in the Budget that any additional amount is owed under the negotiated Maintenance Factor repayment. In fact, the Governor’s Budget proposes to postpone payment of \$110 million owed in 2010-11. Thus, it appears that K-14 education is no longer automatically entitled to a Maintenance Factor amount when funding is determined by either Test 1 or Test 3. Instead, public education must rely upon annual negotiations to establish the amount owed and the repayment schedule.

## **Categorical Programs**

There are a few changes proposed to categorical program funding and flexibility. The Governor’s Proposed Budget presumes that the categorical flexibility introduced in 2009-10 will continue, but that it will be modified to add the currently protected Extended Opportunity Programs and Services (EOPS), Fund for Student Success (MESA, PUENTE, and Early College High School), and Basic Skills programs to the list of “unprotected” programs. Programs are “unprotected” because, following a public hearing of the governing board, districts can redirect the funding to any other state categorical program, and funding restrictions and requirements are waived as a result. In addition, the Administration plans to introduce trailer bill legislation that will remove the Career Technical Education (CTE) categorical program from the list of programs for which flexibility is provided.

The Governor's Proposed Budget includes a reduction in funding of -0.38% for the statutory cost-of-living adjustment (COLA) on the applicable categorical programs. The Governor's Budget does propose to reduce funding for Part-Time Faculty Compensation and EOPS by \$10 million each, and to augment funding for CTE funded pursuant to SB 70 by \$20 million. In addition, Financial Aid Administrative Support would receive a \$2.1 million augmentation.

The Governor's Budget proposes to fund the Quality Education Investment Act (QEIA) CTE program at the same level as in the current year, but to have the program return to the funding structure in place in 2008-09 with no federal funding relied upon to support it.

### **Apportionment Deferrals**

The apportionment deferrals in 2009-10 will continue in 2010-11. While the Governor's budget does not propose additional deferrals, the accompanying narrative states that California will likely experience further cash flow challenges in 2010-11, which may necessitate further funding deferrals.

### **Federal Funding**

The Governor's Budget includes proposals to pursue approximately \$6.9 billion in additional federal funding that, as the Governor stated, represents "fairness" for California. The Governor shared, as part of his press conference, that additional one-time money is not what California needs and that his efforts will be put into gaining ongoing funding for California. If that \$6.9 billion in revenues and savings are not realized, additional budget solutions would be triggered.

### **Solutions "Triggered" if Federal Aid Does Not Materialize**

Included in the list of budget solutions, which would be "triggered" if the assumed federal aid does not materialize are:

- Eliminate the California Work Opportunity and Responsibility to Kids (CalWORKs) Program (\$1.0444 billion)
- Eliminate funding for enrollment growth at the University of California and the California State University (\$111.9 million)
- Freeze the level of awards and eligibility for Cal Grants (\$79 million)

The District will continue to review the Governor's proposal in order to measure its impact on the Chabot-Las Positas Community College District and will incorporate its assumptions in the development of the budget.

*Sources of Information:*  
*California Community Colleges System Office*  
*School Services of California (SSC)*  
*Office of the Governor website*