

Chabot-Las Positas Community College District Budget In Brief

Overview of the Governor's May Revise Fiscal Year 2012-13

On May 14, 2012, Governor Brown released the *May Revision* of the State Budget for 2012-13. The budget gap has increased from \$9.2 billion to \$15.7 billion. The Governor cited three major reasons: lower revenues, increase in Proposition 98 obligations, and adverse court decisions regarding some of the Governor's proposals. The Governor has largely maintained his January positions regarding K-14 education, assuming his tax initiative passes. If the taxes fail, K-14 education loses about \$5.5 billion. Below is a summary of the *May Revision*.

Proposition 98

- The *May Revision* acknowledges a significant drop in estimated state tax revenues in the current year, reducing the Proposition 98 guarantee roughly \$0.6 billion for 2011-12.
- However, guarantee for 2012-13 increases by \$1.2 billion from the Governor's January Proposal.
- The Proposition 98 minimum guarantee is calculated by the Administration at \$53.7 billion, an increase of \$6.7 billion from current-year level.
- Of this amount, \$2.9 billion is related to the assumed passage of the Governor's tax initiative.
- However, K-14 education will not receive any increase in overall funding for 2012-13.
- Ultimately, the actual funding under Proposition 98 to be received by local educational agencies (LEAs) will be sufficient to support the Governor's intention for flat funding in the Budget year, just as proposed in the January Governor's Budget.

Redevelopment

- Now that Assembly Bill 26 dissolved Redevelopment Agencies (RDAs), and ABX126 implemented, the *May Revision* is estimating that LEAs will receive additional RDA resources designated as property tax revenues.
- These local revenues will reduce state General Fund outlays for the Proposition 98 minimum guarantee in the 2012-13 fiscal year.
- The *May Revision* includes one-time funding that will be generated from the dismantling of the RDAs known as "Redevelopment Agency Asset Liquidation."
- This funding would in part be treated as an offset to Proposition 98 as a one-time savings to the state, estimated at \$1.2 billion.

Apportionments

- Consistent with the Governor's January Budget, there is no proposed increase in student fees, no growth funding is proposed, and the statutory cost-of-living adjustment will not be funded.
- If the Governor's tax measure passes, \$313.1 million will be provided to buy down a portion of the \$961 million in apportionment deferrals that cross year-end, providing more cash for community colleges during the operational year.

Proposed Tax Initiative

- The *May Revision* is built upon the assumption that the Governor's proposed tax initiative is approved by voters on the November 2012 ballot.
- The proposed quarter-cent sales tax and tax on upper-income earners will generate \$8.5 billion in 2012-13.
- If the ballot initiative is not passed, midyear reductions will be triggered.
- The Governor's campaign turned in approximately 1.5 million signatures, which are being verified by county registrars.
- As a constitutional amendment, the initiative needs at least 807,456 valid signatures from registered voters to qualify.

Trigger Reductions

- If the Governor's tax initiative does not pass in November 2012, \$6.1 billion in additional cuts will go into effect on January 1, 2013, of which \$5.5 billion would be to Proposition 98 funding.
- The \$313.1 million of the community college share for deferral buy backs will be reversed.
- Additional cuts of \$300 million, assuming the community college portion of Proposition 98 is 11%.
- This equates to approximately 6.4% if applied as a workload reduction.

Categorical and Allocation Methodology Proposals

- The Governor also proposed that \$411.6 million in categorical program funding be combined into a block grant "to provide local flexibility in support of special services."

Cal Grants

- The *May Revision* includes a proposal to modify the Cal Grant award amounts to follow the methodology used for Pell Grants. The neediest of students would continue to receive the maximum Cal Grant award amounts, while students with lower costs of attendance and/or higher family incomes would receive a reduced Cal Grant award. This proposal is intended to be prospective.

Mandated Costs

- Mandate reimbursement will be distributed equally on a per student basis, \$28 per FTES.
- Existing mandate claiming process will be eliminated.

Pension Reform

- The January Budget Proposal referred to the Governor's Twelve-Point Pension Reform plan, unveiled in October 2011, has no comment about pension reform in the Governor's *May Revision*.

We will provide further information on these State Budget proposals as they move through the process towards a final Budget deal.

