2012-13 State Budget

Overview May Revise Webinar

California Community Colleges Chancellor’s Office
Community College League of California
2011-12 Budget

At budget enactment:

• $400 million ongoing general fund cut
• Fee increase to $36 per unit effective fall

January mid-year actions:

• Additional cuts totaling $102 million
• Fee increase to $46, effective summer

Effective ongoing cut of $385 million
2011-12 Threats

• Apportionment shortfall from below projection student fees and property taxes

• Started as $179 million

• Now projected at $129 million (reduced by San Mateo becoming basic aid)

• Governor still proposes taking $116.1 million for redevelopment money expected in current year.
Balancing the General Fund

- Redevelopment Assets: 17%
- Proposition 98: 18%
- Medi-Cal: 15%
- CalWORKs: 11%

✓ $5.6 billion in temporary tax revenues
✓ $2.8 billion in other revenues, and cash maneuvers

$8.3 billion in cuts
Compromise Tax Proposal

The governor’s tax plan and the Millionaires Tax have combined to support a measure:

- on the November 6, 2012 ballot
- simple majority required
- raises sales tax by 0.25% from January 1, 2013 through December 31, 2016
- raises personal income taxes on individuals > $250,000 from 2012 through 2018 tax years

<table>
<thead>
<tr>
<th>Year</th>
<th>Old Range</th>
<th>Compromise Range</th>
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<tbody>
<tr>
<td>2012-13</td>
<td>$4.8b-$6.9b</td>
<td>$6.8b-$9b</td>
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<tr>
<td>2013-14 through 2015-16</td>
<td>$5.5b-$6.9b</td>
<td>$5.4b-$7.6b</td>
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<td>2016-17</td>
<td>$3.1b-$3.4b</td>
<td>$5.4b-$7.6b</td>
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<td>2017-18</td>
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<td>$5.4b-$7.6b</td>
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<td>2018-19</td>
<td>$0</td>
<td>&quot;lesser amounts&quot;</td>
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Tax Measure Significant to Prop. 98

2007-08 Funding Level: $56.6 billion
The New Budget Triggers

If the tax measure fails, automatic budget cuts will occur.

90% of the cuts would be to schools and community colleges

- Proposition 98: -$5,493.6M
- University of California: -$250.0M
- California State University: -$250.0M
- Developmental Services: -$50.0M
- Other: -$33.2M
Proposition 98

$5.5 billion in automatic cuts to K-12/CCC if taxes fail.

$2.6 billion GO Bond debt service.
Community College Scenarios

**Scenario A**
- $313.1 million “deferral buy-back”
- Mandates block grant of $28/FTES

**Scenario B**
- ~$300 million triggered cut
- 6.4% workload reduction (-61,700 FTES)
- Mandates block grant of $28/FTES

Categorical Consolidation Both Scenarios
$411.6 million
Technical Adjustments

- $341.2 million of 2012-13 funds are from “expected” redevelopment money
- $140.3 million ongoing revenue from redirection of tax increment to property taxes
- $200.9 one-time from a “recovery of cash assets”
- Community colleges would get to keep $16m as incentive to wind down redevelopment
- Increase in estimated fee revenue from the elimination of “dollar of need” ($15m)
Categorical Flexibility

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<th>Basic Skills</th>
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<td>Student Financial Aid Admin</td>
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<td>EOPS</td>
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<td>CalWORKs</td>
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<td>Matriculation</td>
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<td>Academic Senate</td>
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<td>Equal Employment Opportunity</td>
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<td>Part-time Faculty Health Insurance</td>
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<td>Part-time Faculty Compensation</td>
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<td>Part-time Faculty Office Hours</td>
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<td>Fund for Student Success</td>
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<td>Economic Development</td>
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<td>Transfer Education and Articulation</td>
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<td>Child Care Tax Bailout</td>
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<td>Nursing</td>
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<td>Disabled Students</td>
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<td>Foster Care Education</td>
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<td>Telecommunications and Technology</td>
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**15 categorical programs would be made flexible, to be used for any categorical or “student service” purpose**

**3 categorical programs would be restricted to current use**
Thoughts

• We agree with the governor’s call for new revenue.

• Community colleges have been cut $809 million since 2008-09, and have foregone 15.8% in cost-of-living adjustments. Tax measure would restore Prop. 98 to 2007-08 funding levels in 2014-15.

• The manipulation of Prop. 98 by adding general obligation bond service may be unconstitutional and is a sleight-of-hand cut to schools/CCC.

• We continue to think that a “positive trigger” of some investment with tax proceeds in 2012-13 is good from both political and policy perspectives.

• While increased flexibility should be explored, the wholesale consolidation of categoricals this year is not a good idea.
Budget Risks

‣ Tax measure is politically uncertain and costly.

‣ Revenues are highly variable, with or without tax measure.

‣ Planning will be difficult. Workload reduction of 6% will be decided in November.

‣ Redevelopment funds may not materialize in either the current ($116.1m) or budget years ($341.2m)

‣ Student fee shortfall with more BOG waivers as fees go to $46/unit.

‣ Enrollment declines possible in some districts, particularly rural colleges with a proposal to triple neighboring state student fees to $138/unit.
The Budget Timeline

- May 14: Governor releases May Revise
- Next four weeks: budget hearings and conference committee
- June 15: Constitutional deadline for Legislature to send budget to governor
- November 6: General Election
- January 1, 2013: trigger reductions take effect if revenue targets are not met
Simulations Available 3pm Today

www.ccleague.org/budget/