Budget Update - February

What’s going on? Today, February 18th, the budget committees of both the Assembly and Senate met to take actions concerning an array of 2011-12 budget issues, including funding for the Community Colleges. These actions represent the opening position of each house on the budget proposed in January by Governor Brown. A Conference Committee composing of majority and minority members of each house will then meet to sort out differences between the actions taken on the budget, which will lead to a budget bill being sent to the floor of each house for approval. Generally, even the Conference Committee version of the budget is subject to significant changes as the Big 5 (the Governor plus the majority and minority party leaders of each house) will negotiate in private. While a 2/3rds vote is no longer required to gain passage of the budget, a 2/3rds vote is necessary to put the Governor’s revenue package on the ballot in June. This is the key issue to be decided over the next couple of weeks. It is expected that any agreement by Republican members to place the revenue package on the ballot would include additional initiatives for the ballot, with issues such as pension reform and state budget caps potentially in play.

The Conference Committee will likely begin its work on either the 22nd or 23rd of February. Some key dates to keep in mind: 1) The 45-day time period for the 1st Extraordinary Session ends on March 6th, and 2) March 11th appears to be the drop dead to put the Governor’s proposed revenue extensions on the June 7th ballot, so final votes would likely need to be taken before that day.

What actions were taken? The good news is that both houses rejected the Governor’s proposal to allocate funding reductions through a reform of the census date process. The Chancellor’s Office and other CCC advocates have worked hard to convince legislators and staff of the danger in making such a major policy change in the context of an expedited budget sprint. Crucial to our arguments has been the ability to point to a push for thoughtful reform through the Student Success Task Force (SB 1143). Both houses agreed that reductions imposed on the system should be allocated through a proportionate workload reduction, and that language accompanying the reduction would express intent that that colleges protect transfer, career technical education, and basic skills courses to the extent possible (similar to the approach taken in the 2009-10 budget).

Both houses approved the level of CCC reductions proposed by the Governor. The system will be hit with a $400 million reduction and fees will be raised to $36 per unit. Both houses rejected the Governor’s proposal to grow the system by 1.9%, opting instead to allow the estimated $110 million in new fee revenues to partially offset the base reduction, for a net impact of approximately $290 million. One minor change made by the Assembly was to reject the Governor’s proposal to “decouple” categorical funding for Student Financial Aid Administration from the increase in fees. The Assembly chose to backfill that cut by $2.9 million, thereby increasing the base apportionment reduction to $292.9 million. This difference will be ironed out through the Conference Committee process.

LAO’s “Doomsday” Scenario Unfortunately, we’re only in phase 1 of this year’s budget discussion. If the Governor’s proposed revenue package does not make the June ballot or is not
approved by the voters, the Legislature will be forced to enact billions of dollars in additional cuts. In a response to a request from Sen. Mark Leno (Chair of the Senate Budget and Fiscal Review Committee), the Legislative Analyst’s Office recently issued a letter outlining $13.5 billion in additional options for reducing the budget. These “options” are not to be confused with recommendations, as the LAO endorses a balanced approach to closing the budget gap, but they do help paint a picture of the type of difficult choices the Legislature will be forced to consider if an all-cuts budget is necessary.

Reduction options are put forth for virtually all levels of state government, including K-14 education. The LAO options include a reduction of $4.8 billion within K-14 education, which would go well below the estimated Proposition 98 minimum guarantee (the guarantee would drop by about $2 billion if Gov. Brown’s proposed revenues are not adopted), requiring a 2/3rds vote for suspension. Included in the options are $685 million in reductions for the CCCs that go beyond the Governor’s January proposal. That represents over 14% of the outlined reduction options within Proposition 98.

The specific options cited by the LAO are:

- $250 million from establishing a 90-unit cap on each student’s subsidized credits
- $170 million from an fee increase to $66 per unit
- $125 million to reduce funding for credit basic skills courses to the level provided for noncredit basic skills courses
- $55 million from eliminating funding for intercollegiate athletics courses
- $55 million from eliminating funding for repetition of credit PE and fine arts classes
- $30 million from eliminating state funding for noncredit PE and fine arts classes

Please keep in mind that these are merely “options” put forth by the LAO and are not on the table for consideration, at the moment. If the Governor’s revenue proposals are placed on the June ballot and are approved by the voters, there may not be any need for further CCC reductions. As we move into phase 2 of the 2011-12 budget discussions, though, we will be discussing the need for fairness to the CCCs within the Proposition 98 world should the need for more reductions arise, and we will attempt to shield the system from any damaging policy options.

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