

OHLONE COMMUNITY COLLEGE DISTRICT

MEMORANDUM

TO: Board of Trustees

FROM: Dr. Douglas Treadway

DATE: January 25, 2006

SUBJECT: 2006-07 Governor's State Budget Proposal

Staff attended a State budget workshop recently. Attached is information from the workshop. Although this is obviously the starting point in the overall lengthy process of getting a State budget approved by the legislature, it is an extremely positive starting point. Below are the most relevant community college funding recommendations included in the governor's budget proposal:

- There is an over-appropriation of \$1.7 billion. This additional funding rectifies to a large extent the fact that the Governor did not provide additional prop 98 funding this year to make good the "budget deal" that was made with education leaders in 2004-05 when the State budget was at risk. The deal that the Governor made to reduce prop 98 funding by \$2 billion in 2004-05 was to be paid back to education when the State economy improved.
- The COLA is estimated to be 5.18 % for general apportionments and categorical programs. This COLA will be modified in the Governor's May Budget Revision to be what actual inflation is between March 2005 and March 2006, so it may change.
- There is growth funding of 3%.
- There is equalization funding of \$130 million. This funding will not be allocated as in the past. It will be allocated in conjunction with moving to a new funding formula incorporated in Senate Bill 361 that is to be implemented effective July 1, 2006.

There will be uncertainty in projecting next year's revenues until the Chancellor's Office has an opportunity to run revenue simulations based on the new funding formula. Fortunately, there is a hold harmless provision in the new funding formula whereby each college will be guaranteed to receive no less in funding than what their base funding, plus COLA, plus growth, would compute to if using the current funding formula.