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Sent: Wednesday, December 31, 2008 4:38 PM
To: Gari Browning
Subject: League Budget Update #25: December 31, 2008



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Governor Drops Budget Surprise

In Sacramento, there has long been conventional wisdom that you release good news on Monday through Wednesday, and bad news Thursday through Sunday. Even in that playbook, nobody expected that a [comprehensive budget plan](#) would be released on New Year's Eve when most reporters, lobbyists and budget staffers are on vacation, but that's exactly what Governor Arnold Schwarzenegger did today.

The governor's budget plan proposes \$41.7 billion in budget solutions over the next eighteen months, through a combination of tax increases, spending cuts and creative accounting. The line-by-line budget proposal ordinarily provided with the budget release is not available yet, so details are likely to change. Nevertheless, to partially answer e-mail questions coming into the League this afternoon about the proposal, here is what we know:

For 2008-09, the governor proposes:

- the same \$332.2 million in cuts proposed in November (although with language suggesting the Legislature's alternative cuts may be acceptable)
- deferral of \$230 million in apportionment payments from January and February 2008 until July 2009 (and continuing annually thereafter)

The deferral (and similar actions in the K-12 budget) would reduce the budget year Proposition 98 guarantee and assumes college districts can survive on December property taxes. However, many community college districts are reporting cash challenges, and we will be working with districts next week to determine whether this deferral will significantly impact district operations. Interestingly, the release projects that current year property taxes will fall short by only \$4 million, while recognizing and funding a \$430 million shortfall for K-12 districts. Meanwhile, the proposal supports legislation that will "reduce or eliminate the annual uncertainty districts face with regard to property tax revenue which currently funds a substantial portion of the colleges' general purpose revenue."

For 2009-10, the governor proposes:

- continuation of the proposed cuts from 2008-09)
- \$185.4 million to fund 3% enrollment growth (36,000 FTES)

- eliminating funding for mandate reimbursement (\$4 million)
- not funding the 5.02% cost-of-living adjustment, a reduction of \$322.9 million from the statutory calculation

Additionally, the governor resurrects his proposal to eliminate the competitive Cal Grant program, which services 42,000 community college students.

Further, the governor proposes to consolidate the California Student Aid Commission and the California Postsecondary Education Commission.

As we get more information, we will pass it along to you.

Best wishes for a happy and health new year,

A handwritten signature in cursive script, appearing to read "Scott".

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