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To: Gari Browning
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Subject: Legislature approves 18-month budget plan



February 19, 2009

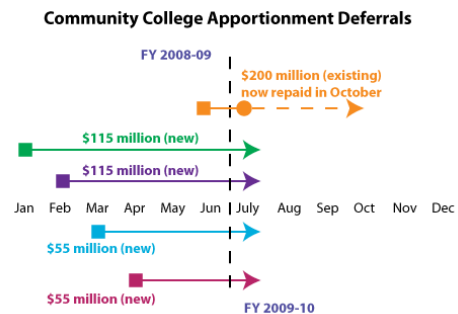
Meeting through the night, the Legislature this morning approved major revisions to the current year (2008-09) state budget, and approved a spending plan four months early for the 2009-10 fiscal year. And, because of your strong advocacy and the case you make by the work you do at our colleges each day, community colleges emerged fairly well from the largest state budget problem in modern history. After a five-day struggle to find the elusive 27th vote, the State Senate obtained the vote of Abel Maldonado (R-Santa Maria) by agreeing to put three measures on the May 19 ballot:

- a constitutional amendment to allow an "open primary" system, replacing the open primary system previously thrown out by the courts
- a constitutional amendment to provide that legislators will not receive pay if a budget is not approved on time
- a constitutional amendment to prohibit salary increases for legislators when the state encounters a deficit

Maldonado also won concessions on taxes, eliminating the gas tax increase and changing the personal income tax surcharge provisions in the package. And perhaps most importantly to Maldonado, who is widely expected to run for controller next year, the plan strikes \$1 million in funding for furniture for the state controller's office, which is moving to consolidate locations. Over the weekend, there was a last-minute push on behalf of community colleges that reversed planned across-the-board cuts to most categorical programs and elimination of funding for maintenance and equipment. After advocates pointed out that community colleges are currently serving more than 20,000 unfunded FTES and are likely to absorb an apportionment shortfall of \$76 million (1.2%), legislators backed off from proposed additional cuts of up to \$120 million. In particular, Governor Schwarzenegger's office was instrumental in fighting to keep access to community colleges open during this time of economic uncertainty.

Here are the highlights for community colleges:

- 2008-09: Eliminates the approved 0.68% cost-of-living adjustment (-\$39.8 million)
- 2008-09: Reduces state funding for mandates (-\$4 million)
- 2008-09: Defers \$340 million in state payments to the 2009-10 fiscal year (replacing \$245 million deferral approved in existing 2008-09 budget; minimizes state borrowing and reduces Prop. 98 guarantee)
- 2009-10: Funds 3% enrollment growth (\$185.4 million), enough funds for 36,000 new full-time equivalent students
- 2009-10: Maintains funding for the Competitive Cal Grants program, which provides 22,500 grants annually to needy non-traditional students
- Generally: Since there were no categorical or general apportionment cuts, language to allow categorical flexibility was not included
- Future: Places a measure on the next statewide ballot (now scheduled to be May 19) to repay K-



12 and community colleges \$9.3 billion over seven years beginning in 2011-12

State Budget for Community Colleges			
Issue	2008-09 Budget Act	2008-09 Revised	2009-10 Approved
General apportionment	\$5,714,006,000	\$5,714,006,000	\$5,827,506,000
Cost-of-living adjustment	\$39,780,000	\$0	\$0
Enrollment Growth	\$113,500,000	\$113,500,000 (2%)	\$185,400,000 (3% incl for EOPS, DSPS, and Matriculation)
Academic Senate for the Community Colleges	\$467,000	\$467,000	\$467,000
Apprenticeship	\$14,641,000	\$14,641,000	\$14,641,000
Basic Skills	\$33,100,000	\$33,100,000	\$33,100,000
CAHSEE	\$10,000,000	\$10,000,000	\$10,000,000
Career Technical Education	\$58,000,000	\$58,000,000	\$58,000,000
Child Care Tax Bailout	\$6,836,000	\$6,836,000	\$6,836,000
Disabled Students Programs and Services	\$115,011,000	\$115,011,000	\$115,011,000
Economic Development	\$46,790,000	\$46,790,000	\$46,790,000
EOPS	\$106,786,000	\$106,786,000	\$106,786,000
CARE	\$15,505,000	\$15,505,000	\$15,505,000
Equal Employment Opportunity	\$1,747,000	\$1,747,000	\$1,747,000
Foster Care Education Program	\$5,254,000	\$5,254,000	\$5,254,000
Fund for Student Success	\$6,158,000	\$6,158,000	\$6,158,000
Matriculation	\$101,803,000	\$101,803,000	\$101,803,000
Nursing	\$22,100,000	\$22,100,000	\$22,100,000
Part-Time Faculty Compensation	\$50,828,000	\$50,828,000	\$50,828,000
Part-Time Faculty Health Insurance	\$1,000,000	\$1,000,000	\$1,000,000
Part-Time Faculty Office Hours	\$7,172,000	\$7,172,000	\$7,172,000
Physical Plant and Instructional Support	\$27,345,000	\$27,345,000	\$27,345,000
Special Services for CalWORKs Recipients	\$43,580,000	\$43,580,000	\$43,580,000
Student Financial Aid Administration	\$51,269,000	\$51,269,000	\$51,269,000
Telecommunications / Technology Svcs / C.V.U	\$26,197,000	\$26,197,000	\$26,197,000
Transfer Education and Articulation	\$1,424,000	\$1,424,000	\$1,424,000
Mandate Reimbursement	\$29,000,000	\$3,000	\$3,000
Prior-year unspent balances	\$3,547,372	\$0	\$0

Significant questions remain about the use of significant federal dollars earmarked for education that were included in the federal stimulus package. These funds will likely be considered by budget subcommittees over the months leading to the funds' availability, which is July 2009. Additionally, a K-12 "deficit factor" was recognized in the budget package for 13%, meaning that as new funds become available over the next few years, the top priority will be restoring the lost purchasing power from the

COLA suspension. To avoid a further relative decline in funding per FTES, leading to increased reliance on part-time employees and loss of salary competitiveness, it is essential that community colleges are similarly allowed to restore their purchasing power.

We will be looking at our budget advocacy efforts over the next couple of weeks, and be gearing up for the many approaching fights. For now, it's important to remember what we've successfully defeated this year:

- proposed 5% apportionment cuts
- proposed \$30-40/unit student fees, with the benefit going to the state general fund and not students
- proposed differential funding for physical education and arts classes
- proposed elimination of Competitive Cal Grants, which is financial aid for our neediest students
- proposed 20.2% cuts to categorical programs including technology, part-time faculty support, foster care and child care

There are many people and organizations to thank that enabled us to reach this finish line, but I want to particularly recognize League Director of Fiscal Policy Theresa Tena, League Director of Governmental Relations Bonnie Slosson, System Office Vice Chancellor Erik Skinner and FACCC Executive Director Jonathan Lightman (who coordinated weekly budget advocacy conference calls).

Now we must rededicate ourselves to the mission for which we have been entrusted, to serve those who others won't, to stretch inadequate dollars to reach greater possibilities, to appreciate the diversity of our students and communities as an asset that brings both challenges and opportunities, and to never give up on the promise to provide every Californian the opportunity of a brighter future.

Thank you for your support of the League and our colleges throughout this historic budget debate,



Scott Lay

President and Chief Executive Officer

P.S. In other news in a great week for California's community colleges, former Rio Hondo trustee Hilda Solis's nomination as Secretary of Labor was approved by the Senate Health, Education, Labor and Pensions Committee on Friday. The nomination now moves to the full Senate, where she is now expected to be confirmed.

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