

# 2009-10 BUDGET WORKSHOP

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# 2009-10 Budget Revision

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- Signed into law July 28, 2009
  
- \$24 billion in budget “solutions”
  - ▣ \$16 billion in cuts
  - ▣ \$8 billion in borrowing and gimmicks
  
- This was on top of \$35.8 billion in budget “solutions” adopted in February

# Community Colleges: Big Picture

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- \$840 million in cuts to state support:
  - 2008-09            \$84 million
  - 2009-10            \$754 million
  
- \$210 million in new revenues:
  - \$130 million federal ARRA funds (estimated)
  - \$80 million student fee revenues
  
- \$544 million Net Reduction for 2009-10 (-8.7%)

2008-09

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# Rejected 2008-09 Revisions


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Proposed 2008-09 budget revisions rejected:

- \$85 million in cuts
- Deferral of an additional \$115 million from 2008-09 to 2009-10

# 2008-09 Liabilities

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- Base shortfall \$41 million
  - Property Tax Shortfall \$42 million
  - Deficit Coefficient 1.3%
- 

# 2009-10

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# No Growth or COLA

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- Elimination of all growth funds (3 percent growth had been included in February budget package)
- No COLA (statutory COLA of 4.25 percent)

# Categorical Cuts

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- \$333 million in cuts to categorical programs
- \$140 million one-time backfill provided using federal ARRA funds and fee revenues, brings the net reduction to \$193 million
- Cuts vary from no cut to total elimination with most programs facing cuts of between 16% and 32%, counting one-time backfill.

# Categorical Flexibility

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- Community college districts authorized to transfer funds out of certain categorical programs and into any other categorical program included in the state budget.
- A public board meeting is required before making such a transfer.
- Applies to fiscal years 2009-10 thru 2012-13

# General Apportionment Cuts

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- \$120 million reduction to general purpose funds
- Local property tax shortfall of \$53.4 million
- Student fee shortfall of \$21.2 million
- Structural Shortfall of \$41.2 million

# Workload Adjustment

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- Base workload measures reduced in proportion to cuts in general apportionment funding (3.39%).
- Will bring the enrollment expectations in line with funding provided by the state.
- Intent language: to the greatest extent possible, make reductions in course sections in areas other than workforce training, transfer, and basic skills.

# Student Fee Increase

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- Student fees increased from \$20 to \$26 per credit unit effective fall 2009
- Generates \$80 million in revenues
- Used to mitigate cuts to the community colleges

# ARRA Funds

- Revised budget package assumes community colleges will receive an estimated \$130 million in federal ARRA State Stabilization Funds.
- The actual amount of funding will be determined based on a formula-driven calculation.
- If funds provided fall below the estimated level, cuts to categorical programs will be deeper.

# Funding Deferrals

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- Adopted budget includes \$703 million in inter-year deferrals
  - ▣ \$540 million in deferrals from February package
  - ▣ \$163 million in new deferrals
  
- Also, \$200 million in intra-year deferrals

# Proposition 98 Maintenance Factor

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- Adopted budget certifies an \$11.2 billion funding obligation:
  - ▣ \$1.17 paid in 2009-10
  - ▣ \$10.1 billion to be repaid in future years
  
- Resolves legal ambiguity
  
- Assembly Bill X4 3 contains contingency language

# Assessing the Risks

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- Uncertainty Regarding Federal ARRA Funds
- Mid-Year Cuts
- Property Tax Shortfall
- Structural Imbalance in the State Budget