

June 29, 2010

Dear Martha,

With less than 48 hours before the beginning of the new fiscal year, it is now nearly certain that an on-time state budget will not be enacted. Yesterday, legislative leaders informed members that the July recess scheduled to begin Friday will be observed, although members are "on call" to return to the Capitol upon request.

While legislators are certain to be criticized for leaving the Capitol without a budget, the move saves nearly \$500,000 in per diem payments (\$142/day) that members would otherwise receive if they stayed in Sacramento.

Members are being asked to work in their districts during the month-long recess. **July is a great time to invite your legislators to campus.** Here are particular things to highlight:

- student enrollment demand <[great article, Glendale!](#)>
- short-term job training and career-technical programs
- efforts to increase student success and completion
- impact of student success categorical cuts, and temporary solutions the college is using to maintain services
- facilities needs, particularly if local bonds have been passed and are awaiting state match

An ideal campus visit includes a 30-minute tour, followed by a roundtable-style discussion with students, faculty, staff, and college administrative leaders. Locally elected trustees, particularly those that have a political or personal relationship with the legislator, are a great addition to roundtable discussions if available. It helps to have a required meeting of attendees beforehand to coordinate messages and ensure that everyone's major points are heard.

Impact on community colleges of a late budget

Theresa Tena, the League's Director of Fiscal Policy, previously communicated to all chief executive officers and chief business officers about how to prepare for what we expect will be a prolonged impasse. However, many of you may not have received that message, but are interested anyway.

First, unlike last year, there is not an existing spending plan in place, and therefore the state controller's ability to make payments is legally curtailed. Last year's payment interruptions (leading to IOUs) were related to the state's cash problem, and not because of a late budget. When there is no budget, the controller can not send money to community colleges, with the exception of the repayment of a \$703 million deferral from the 2009-10 fiscal year. It is unclear exactly when the deferral repayment will be made, as it may be made later in July than has been the practice in recent years.

The first regular payment for 2010-11 would ordinarily be made around the fourth week of July, and would be expected to be around \$110 million. This would be the first "impact" of a late state budget on our colleges. The end-of-month payments then step up in August (around \$275 million) and September (around \$450 million). **We continue to advise districts to have available cash or borrowable resources to last without state assistance until the normal payment expected around the end of September.** We hope that we are proven wrong, but provide this guidance based

on past experience and the magnitude of this year's budget problem.

The League is actively engaging districts to ensure that they can continue to keep the doors open and compensate faculty and staff through the impasse. This week, we are finishing work on a tax and revenue anticipation notes (TRANS) borrowing of \$165-180 million to help twenty-two districts meet their cash flow needs.

We also know that there is a debate about whether general obligation bond money is borrowable for operational expenses. This is both a legal and accounting issue, and we encourage districts to consult with their bond counsel before borrowing to ensure that bond covenants are not violated.

If a budget impasse continues to the beginning of school, students anticipating Cal Grants would likely need assistance from their colleges or elsewhere, as the state grant payments would be interrupted.

Admittedly, this is all quite frustrating and costly. We are diverting hundreds of thousands of dollars from the classroom and student services to pay interest to keep the college doors open because of Sacramento's political inaction and the state's inability to balance its books. We will continue to talk about that and support efforts for more budget accountability, but we will also do whatever we can to serve Californians that show up on our campuses to better their lives.

Sincerely,

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

Scott Lay
President and Chief Executive Officer
Orange Coast College '94

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