

COMMUNITY COLLEGE LEAGUE OF CALIFORNIA



June 30, 2009

Dear Martha,

Last night, the Senate failed to reach deals on either corrections to the 2008-9 fiscal year, which ended at midnight or a larger budget deal sought to correct a nearly \$24 billion shortfall. The gavel came down shortly before midnight, and both houses are expected to return mid-morning.

Hope had increased throughout Tuesday that a deal would be reached when it was revealed that failure to adopt a [shift from redevelopment agencies](#) to school districts would lead to a triggered increase in required spending for schools and community colleges in future years, **including \$3.6 billion in 2009-10**. Nevertheless, Senate Republicans and the governor insisted that agreement on an entire package had to be reached before any parts of the budget fixes could be adopted. If the Proposition 98 formula proves true, the problem **could have increased to \$28 billion overnight**.

The state now heads toward the issuance of 28,742 in IOUs totalling \$53.3 million this Thursday, mostly in tax refunds. While community college students receiving Cal Grants would also eventually receive IOUs, no such payments are expected in July. Community college apportionment payments from the state, which the colleges use for general operating expenses, are expected to continue to flow.

When it seemed clear the 2008-09 "current year" fixes would fail, the Senate proceeded to pass a series of budget correction bills on a simple majority vote. The bills are similar to majority vote [bills vetoed by Governor Schwarzenegger](#) tonight. The Senate then went on a recess, before returning to allow three Democrats who had refused to vote for the fixes to change their vote to support. Nevertheless, the needed two Republican votes were not there.

The next "deadline" is hard to identify. The next few days seem difficult after the rhetoric of the last 48 hours, and members like to go home to wave the flag in Fourth of July parades. Sunday night would be a possibility. The latest revenue figures will come in late next week and could be ugly. June is the [largest revenue month](#) (partially due to accounting changes), and the "reserve" that has been counted on to help close the gap may practically disappear when the latest receipts are tabulated. This would result in billions of additional solutions needed beneath that to which the [conference committee had agreed](#).

Where does this leave community colleges? Well, it is believed that the Legislature could still make the mid-year cuts and deferrals, even though the year has concluded. In better times, the Legislature has provided Proposition 98 "settle-up," adding money after the fiscal year based on a guarantee of funding that escalated during the fiscal year. Some believe that the opposite, and legal, maneuver, would be a "settle-down," or a reduction after the fact that lowers the guarantee. Thus, community colleges **should still prepare to take the \$85 million in 2008-09 cuts**, on top of the 2009-10 cuts. These are estimated on each [district's League budget impact](#) page.

Additionally, few education lobbyists seriously expect that the additional \$3.6 billion in Proposition 98 "maintenance factor" that may have been created tonight by the failure of SB 80 will lead to more money in 2009-10. The increase will almost certainly be suspended and postponed to a future date.

An added complication this year is the maintenance of effort required to receive federal state fiscal stabilization money. Any fiscal year shenanigans engaged in by the state must be allowed by the federal government, or \$6 billion in funds could be at risk. In other words, the state can't simply cut

2009-10 more because they missed the opportunity to cut 2008-09.

Thus, we're essentially where we were 24 hours ago, and the dire warnings about lost opportunities to save may not materialize, and the same \$24 billion shortfall may need to be tackled--this year. However, our problems in future years have likely increased.

A handwritten signature in cursive script that reads "Scott".

Scott Lay
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