

6-5-09

Dear Colleagues,

Another busy week of budget action here in Sacramento. Here are the highlights.

- On Tuesday, the Governor finally released the detailed documentation behind his May Revision. You will recall that the Administration unveiled its May Revision in three installments, beginning on May 14. Getting the complete detail was useful in order to reconcile the three installments. While generally consistent with the details released earlier, the community college budget proposal did contain a few changes. Most notably, the Governor proposes eliminating \$58.3 million in enrollment growth funding and instead using these resources to reduce the projected property tax shortfall for 2009-10. In addition, another \$5 million in unspent funds was redirected to fill the 2009-10 property tax shortfall, bringing the total relief to \$63.3 million and leaving a projected shortfall of \$53.4 million. The details of the package are as follows:

For the California Community Colleges, the May Revision proposes \$820 million in cuts and \$115 million in funding deferrals.

Current Year (2008-09):

- Defer an additional \$115 in apportionment payments from fiscal year 2008-09 to fiscal year 2009-10.
- \$85 million in across-the-board cuts to categorical programs (Financial Aid Administration, Cal Works, Foster Care Education, and Telecommunication/Technology are exempted)
- Broad flexibility for districts to spend categorical funds to meet local needs.
- A \$42.1 million local property tax shortfall with no backfill.

Budget Year (2009-10):

- \$344.3 million in across-the-board cuts to categorical programs, a 53% cut. (Financial Aid Administration, Foster Care Education, and Telecommunication/Technology are exempted)
 - Flexibility, noted above.
 - Eliminate 3% enrollment growth, cut of \$175.2 million (leaves no growth funding)
 - \$120 million cut to lower the funding rate for Physical Education courses.
 - A \$116.7 million local property tax shortfall with a partial backfill of \$63.3 million.
- On Monday, the Budget Conference Committee took public testimony on the education budget—preschool through university. This was a highly unusual event as the Conference Committee typically has a strict rule of taking comment only from the Department of Finance (DOF) and the Legislative Analyst's Office (LAO). However, in this unusual year in which the spring budget committee process was truncated, the Legislature made a decision to provide an opportunity for the public to be heard. The hearing began at 10:30 a.m. and lasted until 7:00

pm. The California Community Colleges had a very impressive showing, with numbers in the hundreds. Students, faculty, classified staff, administrators, CEOs, and business interests were represented. Witnesses did a tremendous job of telling the story of how community colleges change lives and open doors. Chancellor Jack Scott addressed the committee as part of a panel with President Yudof of UC and Chancellor Reed of CSU. Chancellor Scott was well received by his former colleagues and he delivered the message about the critical importance of the community colleges during these hard times. In addition, he delivered a pragmatic message that the community colleges are bound to take some cuts, but offered these requests: 1) CCC cuts should be proportional to cuts in other education segments, and no worse; 2) the Governor's Physical Education proposal should be rejected; and 3) any cut to base apportionment funding needs to be offset by a reduction in the number of students that the colleges are expected to serve. His comments are attached.

- This afternoon, the Conference Committee met to take a first pass through the higher education budget. The hearing followed the traditional format with only DOF and LAO presenting. The committee opened the community college portion of the hearing by talking about the strong demand for community college instruction given the high unemployment rate and restricted admissions at UC and CSU. The deliberations then took a rough turn when LAO and DOF presented a proposal to reduce funding rates for Physical Education and recreational courses. The proposal, first floated by LAO last fall, would cut the community college budget by \$120 million and reduce the funding rate for Physical Education courses (Top Code 0835) that are not classified as "adaptive" to the noncredit rate (roughly a 40 percent reduction from the credit rate).

A discussion by the committee ensued on how the colleges should trim their budgets by eliminating offerings in subjects such as "ping pong and badminton." While Chair Noreen Evans and Vice-Chair Denise Ducheny both added a few comments in defense of physical education and athletics, the conversation was mostly negative and left the impression that colleges are squandering resources on low-priority programs. It was definitely not the type of attention we want when the Legislature is making important decisions about our budget. The committee also discussed student fees and how fee increases affect student access, federal funds, and categorical programs.

The Conference Committee will reconvene on Monday afternoon with the health budget. No word when education will be up again but it will likely be the middle of next week. We will be working hard in the Capitol to ensure that the colleges are positioned to emerge from these budget deliberations with the least amount of damage possible. Chancellor Scott has been in daily conversation with the legislative leaders and the Governor's Office. I encourage all of you to stay in regular contact with your legislators to let them know how you are meeting the critical needs in your communities. Lastly, thanks to everyone who made the effort to come to Monday's legislative hearing to represent the colleges.

Regards,

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