

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Noreen Evans, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to and Addition of Various Budget Bill Items, Local Assistance, California Community Colleges

Budget Year

Item 6870-101-0001, Local Assistance, California Community Colleges (Issues 108, 109, 119, 122, 123, 124, 125, 126, and 127)

Unallocated Categorical Program Reduction (Issue 122)—It is requested that this item be decreased by \$333,140,000 Proposition 98 General Fund to reflect an unallocated reduction to categorical programs. To help alleviate the impact of the reduction, categorical flexibility is proposed through trailer legislation that would allow community college districts (Districts) the flexibility to shift specified categorical program funding for any purpose similar to the flexibility enacted in February 2009 for K-12 categorical programs. The Financial Aid Administration, the Foster Care Education, and Telecommunications and Technology Services programs would be exempted from the flexibility.

It is further requested that the following provisional language be added to conform to this action:

30. (a) Notwithstanding any other provision of law, regulation, or control provision in this item, a community college district may utilize up to 100 percent of the funds allocated from any of the following schedules: (2), (4), (6), (7), (9), (10), (11), (12), (13), (14), (16), (17), (18), (19), (20), (21), (22), or (23) for any purpose in accordance with legislation enacted in the 2009 legislative session.

Remove Apportionment Growth Funding (Issue 124)—It is requested that this item be decreased by \$175,213,000 Proposition 98 General Fund to remove apportionment growth funding included in the 2009 Budget Act. The May Revision specifically reduces \$116.9 million in growth funding and, further, does not backfill an estimated \$116.7 million decline in estimated property taxes. Thus, a base deficit in the amount of the property tax shortfall results while growth funding of \$58.3 million remains. In order to reduce the base deficit to the minimum, remaining growth is also eliminated and Issue 125 is proposed to adjust the apportionment base to conform.

Increase Apportionments to Reduce the Base Deficit (Issue 125)—In conjunction with Issue 124 above, it is requested that this item be increased by \$58,313,000 Proposition 98 General Fund to reduce the base deficit created by not backfilling property tax declines in fiscal year 2009-10. This increase is the net affect of eliminating the Apportionment growth funding noted in Issue 124 and the estimated shortfall in local revenue.

Reduce Funding Rate for Physical Education and Recreation Courses (Issue 123)—It is requested that this item be decreased by \$120.0 million Proposition 98 General Fund to reflect a reduction in the funding rate for credit physical education (PE) and recreation courses to the regular non-credit rate. Districts currently receive a funding rate of approximately \$4,565 per full-time equivalent (FTE) student for credit courses regardless of the cost or difficulty of the course. Reducing the funding rate for PE and recreation courses to the regular non-credit rate of approximately \$2,745 per FTE would generate \$120.0 million savings and would encourage Districts to align course offerings with the state's priorities.

Eliminate Categorical Growth Funding (Issue 126)—It is requested that this item be decreased by \$10,173,000 Proposition 98 General Fund to remove categorical growth funding included in the 2009 Budget Act.

Decrease Apportionments to Reflect the 2008-09 Deferral (Issue 119)—It is requested that this item be decreased by \$115.0 million Proposition 98 General Fund to reflect the ongoing additional \$115.0 million deferral proposed in Issue 119 below, for the current year.

Increase Board Financial Aid Program (Issue 127)—It is requested that this item be increased by \$681,000 Proposition 98 General Fund to reflect fiscal year 2009-10 base adjustments to the statutory 2 percent and \$0.91 per unit compensation provided to districts for fee waiver administration, as a result of reestimated student fee revenues.

It is further requested that Provision 11 (a) and (b) be amended as follows to conform to this action:

"11. (a) Of the funds appropriated in Schedule (5) for Student Financial Aid Administration, not less than ~~\$10,561,000~~ \$11,034,000 is available to provide \$0.91 per unit reimbursement to community college districts for the provision of board of governors (BOG) fee waiver awards pursuant to paragraph (2) of subdivision (m) of Section 76300 of the Education Code.

11. (b) Of the funds appropriated in Schedule (5), not less than ~~\$4,642,000~~ \$4,850,000 is available to provide reimbursement of 2 percent of total waiver value to community college districts for the provision of BOG fee waiver awards pursuant to paragraph (2) of subdivision (m) of Section 76300 of the Education Code."

Amend Provisional Language for the Tuition Fee Waivers Mandate (Issue 108)—It is requested that Provision 11(d)(3) of Item 6870-101-0001 be amended to reflect that funds allocated to colleges for financial aid assistance to students in Schedule (5) of this item offset any reimbursable costs associated with the Tuition Fee Waivers mandate (02-TC-21), which primarily involves determining exemptions from non-resident fees for certain groups of students, such as a dependent member of the armed forces. The Commission on State Mandates recently determined that portions of the test claim are reimbursable activities. Schedule (5), Student Financial Aid Administration, already provides a discretionary amount of \$34.2 million for districts to assist students in maximizing all forms of financial aid. Thus, it is the appropriate source of funds for such activities.

It is further requested that the Provision 11(d)(3) be amended as follows to conform to this action:

“11. (d)(3) Funding provided to community college districts in Subdivision (d)(2) of Provision 11 is provided to directly offset any mandated costs claimed by community college districts pursuant to the Commission on State Mandates test claims 02-TC-28 (Cal Grants) and 02-TC-21 (Tuition Fee Waivers).”

Amend Provisional Language for the California Community College Basic Skills Accountability Report (Issue 109)—It is requested that Item 6870-101-0001 Provision 10(d) be amended to require the California Community Colleges (CCC) to submit the first in a series of reports on CCC basic skills accountability. The 2009 Budget Act currently requires the CCC to submit a report on a framework of accountability measures for basic skills to the Governor and Legislature by November 1, 2010. However, the CCC has completed this requirement and expects to issue the first report on system and college level data by September 1, 2009.

It is further requested that the provisional language be amended as follows to conform to this action:

“10(d). The Office of the Chancellor shall work jointly with the Department of Finance and the Legislative Analyst to ~~develop~~ evaluate and refine as determined necessary the annual accountability measures for this program. It is the intent of the Legislature that annual performance accountability measures for this program utilize, to the extent possible, data available as part of the accountability system developed pursuant to Section 84754.5 of the Education Code. By ~~November 1, 2010~~ September 1, 2009, the chancellor shall submit ~~a report~~ the first in a series of reports to the Governor and Legislature ~~on the annual accountability measures developed pursuant to this process.~~ on basic skills accountability using system and college level data.”

Items 6870-101-0001 and 6870-612-0342, Local Assistance, Increase Oil and Mineral Revenues (Issue 104)—It is requested that Item 6870-101-0001 be decreased by \$1,569,000 Proposition 98 General Fund to offset an estimated increase in oil and mineral revenue for community colleges. It is further requested that oil and mineral revenue expenditures be increased to conform to this action.

Item 6870-111-0001, Local Assistance, Eliminate CalWORKS Services (Issue 150)—It is requested that this item be decreased by \$8.0 million Reimbursements and that Schedule (1) be deleted to reflect the proposed elimination of the state’s CalWORKS Program in the Department of Social Services budget.

It is further requested that Provision 1 be amended and that Provision 2 be deleted as follows to conform to this action:

~~“1. The funds appropriated in Schedules (1) and (3) are for transfer by the Controller to Section B of the State School Fund.~~

~~2. The funds appropriated in Schedule (1) are to fund additional fixed, variable, and one-time costs for providing support services and instruction for CalWORKs students that include, but are not limited to, job placement and coordination, curriculum development and redesign, child care and workstudy, and instruction. As a condition of receiving funding, colleges are required to submit a plan to the Office of the Chancellor of the California Community Colleges describing how the funds will be utilized, which shall be based on collaboration with county welfare offices regarding the services and instruction that are needed for CalWORKs recipients.”~~

Item 6870-492, Community College Reappropriation (Issue 130)—It is requested that this item be added to reappropriate \$4,992,000 one-time Proposition 98 General Fund savings from prior years of the California High School Exit Exam, the Extended Opportunity Programs and Services, and the Transfer and Articulation Programs to 2009-10. These funds would be authorized to backfill a projected property tax revenue shortfall for the CCC.

It is further requested that the following item be added to conform to this action:

6870-492—Reappropriation, California Community Colleges, Proposition 98. The following amounts are hereby reappropriated for Apportionments for the purpose of partially backfilling a projected shortfall in 2009-10 community college local property tax revenues, and shall be available for encumbrance and expenditure until June 30, 2010:

(1) \$3,722,000 from Schedule (1) of Item 6870-101-0001 of the Budget Act of 2008 (Chs. 268 and 269, Stats. 2008).

(2) \$997,000 from Schedule (3) of Item 6870-101-0001 of the Budget Act of 2006 (Chs. 47 and 48, Stats. 2006).

(3) \$49,000 from Schedule (6) of Item 6870-101-0001 of the Budget Act of 2003 (Ch. 157, Stats. 2003).

(4) \$224,000 from Schedule (16) of Item 6870-101-0001 of the Budget Act of 2006 (Chs. 47 and 48, Stats. 2006).

Non-Budget Act Items—Budget Year

Item 6870-601-0001, Eliminate General Fund Backfill of Lottery Funding (Issue 141)—It is requested that Item 6870-601-0001 be decreased by \$169,830,000 to reflect the failure of the Lottery Securitization Initiative (Proposition 1C). The 2009 Budget Act included the General Fund backfill associated with that proposal. However, that funding is no longer necessary because lottery funding will continue under current law. (See Issue 142 below.)

Item 6870-601-0814, Replace General Fund Lottery Funding with Lottery Special Fund Revenue (Issue 142)—It is requested that this item be increased by \$148,679,000 to reflect the community college share of lottery revenues based upon the Lottery Commission’s most recent sales estimate.

Item 6870-601-0986, Revised Local Property Tax Revenue (Issue 103)—Based on revised projections since January 2009-10 estimated revenues are decreased by \$116,707,000.

Item 6870-601-0992, Revised Student Fee Revenue (Issue 102)—Based on revised projections since January 2009-10 estimated fee revenues are decreased by \$21,247,000 based on a higher incidence of fee waivers reported by the Chancellor's Office in the current year and the likely affects of reduced growth funding.

Current Year

Item 6870-101-0001, 2008 Budget Act, Local Assistance, California Community Colleges (Issues 119 and 121)

Increase 2008-09 Apportionment Deferral (Issue 119)—It is requested that Schedule (1), Apportionments, of the 2008 Budget Act item be amended to reflect an additional \$115.0 million Proposition 98 General Fund deferral to 2009-10. This deferral would increase the current CCC deferral from \$540.0 million to \$655.0 million. The increased deferral achieves a Proposition 98 current year savings without reducing program funding.

Unallocated Categorical Program Reduction (Issue 121)—It is requested that this 2008 Budget Act item also be amended to reflect an unallocated reduction of \$85.0 million Proposition 98 General Fund to categorical programs. To help alleviate the impact of the reduction, categorical flexibility is also proposed that would allow Districts the flexibility to shift specified categorical program funding for any purpose similar to the flexibility enacted in the 2009 Budget Act for K-12 categorical programs. The Financial Aid Administration, Special Services for CalWORKS Recipients, Foster Care Education, and Telecommunications and Technology Services programs would be exempted from the flexibility in 2008-09.

These reductions are necessary to reduce Proposition 98 appropriations to address the revenue shortfall. Education trailer bill language will be proposed to authorize these reductions and propose categorical flexibility.

Informational

Pursuant to Education Code Section 84758, the Department of Finance is required to notify the Legislature and the Chancellor's Office of the California Community Colleges (Chancellor's Office) of the amount of revenue estimated to be available to Districts during the next fiscal year from local property taxes, exclusive of bond interest and redemption, and timber taxes received.

The Department of Finance estimates that property taxes totaling \$1,945,961,000, net of excess taxes for certain districts, will be available to districts to offset apportionments in 2009-10. This estimate reflects the property tax reduction in non-budget act Item 6870-601-0814 and excludes \$979,000 in estimated timber tax revenues.

Education Code Section 84758 also requires the Department of Finance to notify the Legislature of the difference between the Chancellor's Office 2008-09 property tax estimate as of March 15, 2009, excluding timber taxes, and the Department of Finance's 2008-09 property tax estimate as of May 2008, excluding timber taxes.

The Chancellor's Office reported 2008-09 property taxes of \$2,000,562,000, excluding timber taxes of \$1,639,000. The Chancellor's Office estimate is based on the second principal apportionment payment, except for four districts which reflect the first principal apportionment data because updated information was not available.

The Department of Finance's 2008-09 property tax estimate as of May 2008, was \$2,056,346,000, net of excess taxes and excluding timber taxes of \$1,170,000. Therefore, the difference in property taxes between the Chancellor's Office estimate for 2008-09 and the Department of Finance's estimate last May shows a decline of \$55,784,000.

We also note that the Department of Finance's 2008-09 property tax estimate as of May 2009, is \$2,015,238,000, excluding \$979,000 for timber taxes, which is \$14,676,000 higher than the Chancellor's Office current reporting of 2008-09 property taxes. Therefore, we estimate a 2008-09 property tax shortfall of \$41,108,000, excluding timber taxes.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Ed Hanson, Principal Program Budget Analyst, at (916) 445-0328.

MICHAEL C. GENEST
Director
By:

ANA J. MATOSANTOS
Chief Deputy Director

Attachment

cc: Honorable Christine Kehoe, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzoia, Staff Director
Honorable Bob Dutton, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Kevin de Leon, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Joe Simitian, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable Jerry Hill, Chair, Assembly Budget Subcommittee No. 1
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Erik Skinner, Vice Chancellor for Fiscal Policy, California Community Colleges
Mr. Vincent Stewart, Assistant Secretary, Office of the Secretary of Education

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