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From: Troy, Dan [dtroy@CCCCO.EDU]
Sent: Tuesday, December 13, 2011 1:23 PM
To: SO2CBO@LISTSERV.CCCNEXT.NET
Subject: Budget Update - Triggers
Attachments: 2012_Rev_Forecast_Determination.pdf

Colleagues,

Today, Governor Brown and the Department of Finance announced that revenues for the 2011-12 fiscal year were estimated to fall \$2.2 billion below the budget assumptions made in June. Per statutory agreement reached by the Legislature and the Governor with the passage of the 2011 Budget Act, this shortfall will "trigger" both the Tier 1 and Tier 2 current year reductions outlined in statute and detailed in earlier communications. For the California Community Colleges, the impacts are as follows:

- A \$102 million reduction to base apportionments.
- An fee increase from \$36 to \$46 per unit commencing in the summer of 2012.

The Chancellor's Office is preparing a memo to district chief business officials that will provide greater detail on the implementation of these reductions, but we thought it best to get the word out as soon as possible.

In addition to the news about the triggers, today's press conference revealed some other interesting information.

- The Governor again indicated his intention to put an initiative on the November ballot to increase annual revenues by \$7B. He indicated that he is communicating with those proposing competing proposals in an effort to "clear the field" in November, though no agreements have yet been reached.
- He indicated that more cuts were coming in January, and that his budget proposal would again include midyear trigger reductions should the ballot initiative be rejected by the voters (so the \$7B in approved revenues will be assumed in his budget).
- Despite the bad news, the Governor did suggest that the economy is improving, just not enough to erase the deficit.
- Notably, the Department of Finance's forecast is more optimistic than was the Legislative Analyst Office's November forecast (they estimated a \$3.7 billion shortfall). Director Matosantos suggested this was due to higher November sales taxes and more up-to-date income information on 2010 incomes than had been available to the LAO at that time.
- All Tier 1 and Tier 2 reductions are fully enacted, with the sole exception of K-12 revenue limit cuts. While K-12 revenue limits could have been reduced up to \$1.5 billion if the forecasted shortfall had been \$4 billion or more, the actual cut will only be \$79.6 million. K-12 did also lose \$248 million in transportation funding as part of the Tier 2 trigger, though.

Attached is the letter from the Department of Finance informing the Legislature of the midyear reductions. Again, we'll have more information out to CBOs about the implementation of the cuts, soon, and, of course, we will keep you posted on updates related to the January budget as they become available.

Regards,
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